Austria	Sch. 15	Indonesia	Rp 1800	Philippines	Pes 20
Bahrain	Din 0.650	Italy	L 1100	Portugal	Esc 65
Belgium	BFr 35	Japan	Y550	S. Arabia	Rls 6.00
Canada	C$2.50	Jordan	Fils 500	Singapore	S$ 4.10
Denmark	Dkr 7.00	Kuwait	Fils 500	Spain	Pta 85
Egypt	E£1.00	Lebanon	£L 6.00	Sweden	Skr 6.50
Finland	Fmk 5.00	Luxembourg	LFr 35	Switzerland	SwFr 2
France	FFr 5.00	Malaysia	Rm 4.25	Tunisia	Din 0.600
Germany	DM 2.00	Morocco	Dh 6.00	Turkey	L 130
Greece	Dr 55	Netherlands	Fl 2.25	U.A.E.	Dh 6.50
India	Rup. 15	Norway	Nkr 6.00	U.S.A.	$1.50

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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INTERNATIONAL MARKETS: Section III

NEWS SUMMARY

GENERAL

UN chief to visit Moscow in March

United Nations Secretary-General Javier Perez de Cuellar is to visit *Moscow in May, at the invitation of* Soviet leader Yuri Andropov to discuss the Soviet occupation of Afghanistan. Page 16

In Brussels, chief U.S. negotiator at the Geneva disarmament talks in Geneva, Paul Nitze, assured Nato allies that the U.S. would respond to new elements in the Soviet negotiating position when the talks resume tomorrow. Page 2

In Tokyo, Japan protested strongly to the Soviet Union against Soviet plans to site nuclear missiles in eastern Siberia. Page 4

In London, Archbishop of Canterbury Dr Robert Runcie, spiritual leader of the world's 70m Anglicans, came out clearly against unilateral nuclear disarmament, saying that stability could be maintained by a nuclear deterrent. Page 7

Prosecutor killed

Sicily's assistant state prosecutor, Giangiacomo Montaldo, known for his anti-Mafia stand, was shot dead in the west of the island.

Nuclear spy charge

French anti-nuclear protester Bernard Pineau, 24, was arrested and charged with spying on a base being built to house U.S. nuclear missiles at Comiso, Sicily.

Polish departures

Polish authorities issued 4,510 exit permits since March for ex-internees, their families and union and political activists.

Bomb threat

Youth threatened to blow up an Indian Airlines aircraft at Madras airport with a "bomb" made from a belt rolled in a handkercief.

Namibia truce talks

South Africa confirmed talks were underway with Angola on a possible ceasefire on the Namibian border.

Forbidden habits

New Vatican code includes a ban on union activity by nuns and priests.

Missing yacht safe

Wayne Dickinson, missing since he set out from Port Allerton, Massachusetts, 82 days before to cross the Atlantic in a 9ft yacht, was spotted less than halfway across.

Greece bans dowries

Greece's Parliament made divorce easier, banned dowries, and ended discrimination against illegitimate children.

Zimbabweans cleared

Zimbabwe's High Court cleared two of the country's secret service men, Philip Hartlebury and Colin Evans, both white, of spying for South Africa. They still face arms charges.

Briefly . . .

Belgium's oldest resident, farmer Clement de Vos, died in the house where he was born 109 years ago.

Hollywood film director George Cukor died in Los Angeles aged 83.

Sudan expelled British journalist Jeffery Philips, saying his reports came from rumours.

Stuttgart: Peter-Jürgen Book, 31, Baader-Meinhof group suspect, went on trial charged with six murders.

Norway banned baby seal hunting this winter.

West German wine output in 1982 was 15.4m hectolitres, 4m more than previous record 1977, and more than double 1981. Page 3

BUSINESS

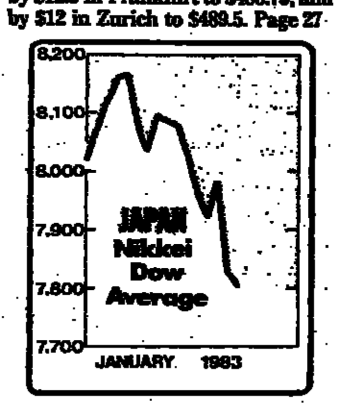
Grundig postpones bid for AEG unit

● GRUNDIG, West Germany's leading consumer electronics group has postponed its proposed takeover of Telefunken, the lossmaking subsidiary of AEG-Telefunken to await the outcome of French group Thomson-Brandt's bid for 75.5 per cent of Grundig. Page 16

● STERLING fell a further 35 points to $1.537, to DM 3.725 (DM 3.8025), FFr 10.55 (FFr 10.76), SwFr 3.06 (SwFr 3.125), and Y362.75 (Y370.75). Its Bank of England trade-weighted index was down from Monday's 81.8 to 81. Page 32

● DOLLAR fell to DM 2.4215 (DM 2.467) FFr 6.8625 (FFr 6.985), SwFr 1.99 (SwFr 2.0275) and Y236 (Y240.6). Its trade-weighting slipped from 121.4 to 119.8. Page 32

● GOLD rose $13 in London to $489, by $12.5 in Frankfurt to $488.75, and by $12 in Zurich to $489.5. Page 27



● TOKYO: Nikkei Dow index fell 30.81 to 7893.18. Stock Exchange index dropped 1.44 to 574.51. Page 25

● LONDON: FT Industrial Ordinary index regained 8.5 to reach 614.2. Government Securities recovered a little of recent losses. Page 25

● WALL STREET: Dow Jones index closed up 11.86 at 1,042.03. Page 25

● HONG KONG: Hang Seng index gained another 8.85 to reach 888.45. Page 25

● AUSTRALIAN all-shares index shed 9.2, to reach 528.5. Page 25

● FRANKFURT: Commerzbank index eased 0.4 to 727.9. Page 25

● ARGENTINA is hoping to obtain some $2bn from external sources as a result of obtaining $2bn IMF credits. Page 5

● BRAZIL announced reductions in automatic twice-a-year inflation-linked wage rises. Page 5

● POLAND wants to renegotiate its Gatt membership to avoid losing trade preferences for net keeping commitments to increase imports.

● PORTUGAL'S caretaker Balsemao Government is expected to push through stop gap financial measures, including tax increases. Page 3

● U.S. EXPORT-Import Bank has offered India $1.5bn credits to improve sales there. Page 6

● OECD report says Australia's measures against inflation have not been strong enough. Page 4 Premier Malcolm Fraser announced an A$510m ($480m) scheme to develop water resources.

COMPANIES

● EXXON, the West's biggest oil company, had a strong last quarter which limited its 1982 drop in earnings to 13.3 per cent, at $4.19bn. Page 17

● STANDARD OIL of California earnings fell from $2.38bn to $1.38bn in 1982. Page 17

● MERCK, U.S. pharmaceuticals group, increased 1982 net earnings by 4 per cent, to $415m. Page 17

● RANK ORGANISATION'S pre-tax profits plunged by £41.23m ($63.4m) to £61.52m for the twelve months to end October 1982. Figures for the second half were £24.9m against £58.96m. Page 20

Germans propose creation of two giant steel groups

BY JAMES BUCHAN IN DÜSSELDORF

An independent commission yesterday put forward a radical plan for reshaping the troubled West German steel industry which could create two giant groups able to dominate the European market in certain steel products.

Trading in the shares of the four largest West German steel companies was suspended yesterday in preparation for the plan, which the three commissioners or "moderators" laid before the industry, the Bonn government and trade union officials later in the day.

The plan proposes the creation of two reoughly equivalent groups for the main products of flats and heavy sections, which make up 70 per cent of West German rolled steel production.

The "Rhine group" would comprise Thyssen, the largest steel concern on the European continent, and Krupp Stahl, who are already holding talks on merging their operations in special steels and other products. Their main steelworks are on the lower Rhine.

The "Ruhr group" would consist of Hoesch, the second largest German producer, in Dortmund and the state-owned Peine und Salzgitter and Klöckner-Werke in the north-east.

For the third major product group, the increasingly unremunerative light sections used in the building industry, the three moderators envisage sharp cuts in capacity and concentration at such companies as Arbed Saarstahl and the steel units of Korf, which have run into serious difficulties since the commissin was appointed by the steel industry in November.

For special steels, the moderators see no further rationalisation possibilities beyond the co-operation in this sector announced last summer by Krupp and Thyssen.

Overall, the moderators – Herr Günther Vogelsang of Veba, Herr Marcus Bierich of Allianz and Dr Alfred Herrhausen of Deutsche Bank – believe the plan could save up to DM 100 per tonne of rolled steel in costs. However, at a press conference in Düsseldorf yesterday, the three made clear they envisaged some DM 2bn to DM 3bn ($810m-$1.2bn) per year in "takeoff aid" from the regional and federal governments. Further, they do not exclude protectionist measures against subsidised steel imports in the German market to maintain a "floor" for the German producers. Import licensing, or as a last resort border levies, should be considered.

Herr Vogelsang said that the industry could not compete with "the united taxpayers of Europe." However, Count Otto Lambsdorff, the liberal Economics Minister in Bonn, said yesterday that import protection would raise "immense problems," although the government would swiftly consider flanking measures to help forward the concept.

Herr Vogelsang said repeatedly that there was industry consensus only on regulating the market not

Continued on Page 16

WEST GERMAN STEEL INDUSTRY

Company	1981 crude steel output (m tonnes)	Worldwide results: 1981 Turnover* DM bn	Profit (Loss) DM m
Thyssen	11.6	28.2	(68)
Krupp	4.9	14.8	(37)
Hoesch	4.7	8	(456)
Klöckner	4.5	5.8	41
Salzgitter	4.1	11.7	(388)
Roechling-Burback	2.9	2.42	(347)

* All turnover figures consolidated, Roechling-Burbach consolidated for W. Germany only.

Brussels in bid to avert U.S. clash on stainless

BY GILES MERRITT IN BRUSSELS AND IAN RODGER IN LONDON

THE EUROPEAN COMMUNITY is seeking urgent negotiations with the U.S. to prevent a new trans-Atlantic flare-up over steel trade.

EEC foreign ministers meeting in Brussels yesterday instructed the EC Commission to open talks immediately with Washington aimed at heading off the imposition next week of countervailing duties on UK exports of stainless steel sheet and plate.

A number of U.S. allegations about subsidised and dumped imports of special grades of steel from European countries were left unsettled in the general agreement on steel trade reached between the two sides last October.

Since then, the U.S. Government and steel industry have set in motion a number of legal actions against British, French, Italian and German special steel makers.

A preliminary determination on the first of these, a suit alleging that the British Steel Corporation's exports of stainless steel sheet and plate have benefited from unfair subsidies, is scheduled to be made by the U.S. International Trade Commission next week on February 4.

British officials fear that the ITC will impose a prohibitive duty, and hope a preliminary settlement can be reached before the Commission meets.

In the year to March 31, 1982, British Steel Corporation's exports of stainless steel sheet and plate to the U.S. were worth about £10m ($15.4m). Subsequently, the market has deteriorated but the business is still important to the corporation.

Mr Douglas Hurd, the British foreign office minister who won agreement from his EEC colleagues to seek negotiations, said he was hoping a "suspension agreement" could be achieved, under which quota restrictions or an export levy would restrict UK exports of stainless to the U.S.

Most of the U.S. actions brought against special steelmakers in other European countries, including non-EEC members Austria and Sweden, are anti-dumping cases and determinations on them are to be made later by the ITC. Not all the actions have been initiated by the U.S. steel companies. In what is understood to be a strong reflection of domestic political pressures for protection, the U.S. Government has also filed a safeguard action under Article 19 of the Gatt under which it could curb stainless imports provided it offered compensation to affected importers.

U.S. Steel result, Page 16

EEC Ministers finally agree on elusive fisheries policy

BY LARRY KLINGER IN BRUSSELS

THE EUROPEAN Community at long last has a Common Fisheries Policy, embracing all of its 10 member-states and thereby ending the protracted and corrosive quarrel that had threatened to isolate Denmark from its nine EEC partners for months to come.

Yesterday's decision by the EEC Council of Fisheries Ministers follows nearly seven years of often bitter negotiations and lays down the basic rules for a comprehensive Common Fisheries Policy (CFP) over at least the next 20 years. It also means that Denmark will now withdraw its European Court actions against Britain and the European Commission.

Mr Peter Walker, the British Agriculture and Fisheries Minister, hailed yesterday's decision as a "superb agreement" for both Britain and its fishing industry. It was his "happiest day" since he began the negotiations four years ago.

M Gaston Thorn, Commission President, declared that "the fishing war is over. It is a good day for Europe. The Community is now administering its own fishing resources for the good of all its members."

However, even as the champagne corks were being drawn for the celebrating ministers, it became clear that, while the war is over, several future skirmishes, if not battles, might remain to be fought.

Different interpretations were already emerging over the guarantees provided for Denmark's future cod and mackerel catches – a key element in the compromise package that led to agreement.

Danish officials and fishermen said that, if the guarantees for a future minimum 20,000 tonnes of mackerel could not be met through EEC agreements with countries such as Norway and the Faroe Islands, then some extra fish might be provided as a "special measure" in waters west of Scotland.

Mr Walker, however, said there was no possibility of the Commission making such a proposal and, if it did, the member-states would not approve it. As long as Britain retained its veto, there was "no way" that Denmark could fish the western stocks beyond the 7,000 tonnes it was being given this year as a special measure.

The key to yesterday's final decision was a compromise plan hammered out in a series of emergency

Continued on Page 16

Reagan's plan to curb deficits

By Reginald Dale, U.S. Editor, in Washington

PRESIDENT Ronald Reagan was last night preparing a four-point plan to curb growing U.S. budget deficits – including defence cuts spread over the next five years and a contingency plan to increase taxes in the future, if necessary.

He was also to propose new measures to deal with structural unemployment and promote free trade.

Mr Reagan, in his second State of the Union message, was expected to stress that the American economy was on the mend despite its many troubles. To reduce budget deficits, projected at $200bn or more in the coming years, he would call for:

● an across-the-board six-month postponement of cost-of-living increases in federal benefits programmes;

● legislation to cut further into social spending on federal entitlement programmes;

● cuts of $55bn over five years in the planned increase of spending authorised for defence;

● "standby" taxes to come into effect from October 1 1985, as "an insurance policy against high deficits."

The contingency taxes, however, would be triggered only if three conditions were all fulfilled: that Congress agreed to a new round of budget spending cuts; that the 1986 deficit was still above 2.5 per cent of GNP (against six per cent now); and that the economy was growing.

To help cope with structural unemployment Mr Reagan wants unemployment benefits extended and special new incentives created for employers to take on the "long-term unemployed" and young workers.

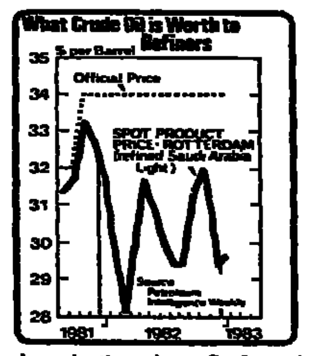
On the trade front Mr Reagan planned to call for "broadened" trade policies to promote free trade and increase the flow of U.S. goods and services.

Internationally, Mr Reagan's Middle East peace plan, launched last September, would not be allowed to "wither." He would renew his determination to negotiate significant arms reductions with the Soviet Union.

He also intended to call for renewed support for his Caribbean Basin initiative and pledge close consultation with his major Western allies in advance of the seven-nation economic summit due to be held in Williamsburg, Virginia, in May.

Non-Opec oil nations firm on pricing

BY RAY DAFTER, ENERGY EDITOR, IN LONDON



GOVERNMENT MINISTERS in the UK and Norway pledged yesterday that North Sea producers would not start a worldwide oil price war.

Mexico, another independent producing nation, also vowed that it would seek to preserve the present pricing system, following the Organisation of Petroleum Exporting Countries' (Opec) failure on Monday to agree on pricing and production quotas.

In the international oil market yesterday, traders were nervously waiting to see whether Sheikh Ahmed Zaki Yamani, the Saudi Arabian Oil Minister, would be proved right in his prediction that North Sea prices would fall by $2 to $3 a barrel "in a few days." Sheikh Yamani made the comment as he left the Geneva meeting of Opec ministers.

Mr Nigel Lawson, the UK Energy Secretary, said that British National Oil Corporation – the leading trader of North Sea crude oil – would not start a price collapse. "BNOC will follow the market as it has always done," he said. He conceded that a drop of $2–$3 from the present reference price of $33.50 "may well be what happens."

Mr Hans Henrik Ramm, Norway's Deputy Minister for Energy and Petroleum, took much the same line. He said there was now a clear risk Opec prices would fall and that North Sea prices would have to follow suit.

The 13 Opec members are now reassessing their individual pricing and production plans. So far only Abu Dhabi has indicated that it might boost its output and reconsider its pricing stance, at present based on the Saudi Arabian Light oil reference price of $34 a barrel.

Dr Subroto, the Indonesian mining and energy minister, visited Riyadh for talks with Saudi oil officials yesterday after warning that it might also increase production above recently-held levels. But he added that Indonesia, a prominent Opec member, would continue to sell oil at current rates for as long as possible.

With spot market prices of key oils – such as Arabian Light and North Sea – quoted at around $3 to $4 a barrel below official contract rates, traders in London largely halted dealings yesterday while

Continued on Page 16

Differentials underline differences, Page 4; Falling prices cut both ways, Page 14

Further widespread losses for pound

BY JEREMY STONE AND PETER RIDDELL IN LONDON

THE POUND fell further against all major currencies yesterday and at the close in London, it had lost nearly 2.2 per cent of its external value since the beginning of the week.

Sterling's effective exchange rate, measured by the Bank of England's trade weighted index, stood at 81.0. This has now fallen by 11 per cent since the pound entered its current uncertain period at the beginning of November.

But Mrs Margaret Thatcher, the Prime Minister, made it plain in the House of Commons, yesterday, that the Government was sticking to its policy at allowing any strains to be reflected in the exchange rate, rather than mounting a big defence operation.

Mrs Thatcher also reiterated the comment last week by Sir Geoffrey Howe, the Chancellor, that "there is no good reason either for the exchange rate to fall, or for interest rates to rise."

Although the dollar weakened yesterday after Monday's hectic rise, sterling lost ground even against the U.S. currency, closing

Continued on Page 16

Editorial comment, Page 14; Pressure eases on franc, Page 16; Money markets, Page 32

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EUROPEAN NEWS

Nitze pledge to explore Soviet arms proposals

BY JOHN WYLES IN BRUSSELS

THE UNITED STATES' Nato allies were assured in Brussels yesterday that Washington would explore and respond to "new elements" in the Soviet Union's negotiating position when intermediate-range nuclear disarmament talks resume in Geneva tomorrow.

During a briefing session with Nato's North Atlantic Council, Mr Paul Nitze, the chief U.S. negotiator at the talks, indicated that Washington was particularly interested in the apparent Soviet willingness to discuss a new balance between East-West systems based on missiles and numbers of warheads, which did not also include bombers and other so-called forward-based systems.

There is said to have been relief at the reassurance that the U.S. was not digging in its heels on the so-called "zero option." This would require the Soviet Union to destroy all its SS-20 intermediate-range missiles in return for Nato scrapping plans to deploy 572 cruise and Pershing 2 missiles in Europe.

It is an article of faith for all European governments to assert the zero option as the most desirable objective, but there is some confidence in Nato that the U.S. will be prepared to accept something which falls short of it.

Mr Nitze came under close questioning yesterday about the informal accord he worked out last July with his Soviet counterpart, Mr Yuli Kvitsinsky.

Rejected by both Governments, the draft agreement would have reduced substantially the deployment of both SS-20s and U.S. missiles, while also limiting the number of Soviet missiles in the Far East.

The point was made to Mr Nitze yesterday that there was a need for much greater public understanding that the Western position is flexible, as was demonstrated by this abortive accord. He responded, however, by saying he was not responsible for public presentation—something he had already underlined by cancelling a news conference scheduled for yesterday.

Report takes gloomy view of Irish economic outlook

BY BRENDAN KEENAN IN DUBLIN

THE IRISH economy slipped into deep recession in the last few months of 1982, with sharp declines in consumer spending, exports, investment and output, according to the latest quarterly review of the Irish associates of Coopers and Lybrand.

They take a pessimistic view of the prospects for 1983, expecting a small fall in gross national product during the year. However, they believe the marked improvement in the balance of payments deficit will continue and it will fall below I£1bn (£883m), less than 9 per cent of GNP.

The continuing weakness of the economy poses problems in framing next month's budget, when ministers will have to take account of what will probably be a tougher climate for foreign borrowing, given the nervousness among international bankers.

Total government borrowing by Ireland was estimated at almost I£2bn last year, of which about half was borrowed abroad. The recently elected government of Dr Garret FitzGerald is likely to make a reduction in foreign borrowing a priority in its budget strategy.

With an estimated deficit of current spending of I£1.2bn (£1.06bn) the budget is likely to include cuts in current and capital spending, no indexation of direct taxes and further increases in indirect taxes such as VAT and excise duties.

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More than 4,000 Poles given exit visas

By Christopher Bobinski in Warsaw

THE POLISH authorities have issued exist permits for 4,510 former internees and their families, and union and political activists who were not interned but applied to emigrate, according to Mr Jerzy Urban, the government spokesman.

Ever since last March when the authorities announced that internees would be allowed to emigrate, Western governments have worried about a large influx of political refugees. Visa-issuing procedures have been slow, as have political decisions on the quotas individual countries would take.

Mr Urban said yesterday that 300 internees had left the country, accompanied by 770 members of their families. A further 2,269 had collected exit passports but were still presumably wa'i'ng for Western visas.

He said that 5,165 people had applied to leave under a scheme designed to clear Poland of citizens viewed by the authorities as politically undesirable.

David Buchan adds: MPs from all British political parties yesterday urged the Government to let some 1,500 Polish refugees, stranded in in the UK when martial law was imposed in December 1981, to remain indefinitely in Britain.

Mr William Whitelaw, the Home Secretary, said in a letter this week to Sir John Biggs-Davison, a Conservative MP, that "for the present" the Government had no plans to force Polish refugees to return against their will. "Should conditions change in Poland," however ,the Government would need to review its policy, he said.

"We don't want any more victims of Yalta," Sir John said at a news conference, in reference to Britain's repatriation of Russians after the Second Wor'd War. Mr Peter Shore, from the Labour front bench, said the Poles should at least be granted annual visas and be given work permits.

Some 450 Poles have officially applied for asylum in Britain. None, so far, has apparently been able to meet the stringent conditions.

EEC tables Portuguese agriculture proposals

By John Wyles in Brussels

THE EUROPEAN Community's accession negotiations with Portugal passed a milestone yesterday when the Ten tabled their first proposals for bringing Portuguese argriculture into the EEC's system.

There was more symbolism than content in the declaration by Community foreign ministers, but there was enough of both to please Sr Joao Saoguero, the Portuguese Minister in charge of the membership negotiations.

Bowing to French pressure, the EEC has put the enlargement talks with Portugal and with Spain into a lower gear in the last few months. There are no conclusive signs yet that France is ready to encourage a speeding of the negotiations, but yesterday's declaration could not have been made if Paris had maintained its blocking position.

The concession was not difficult to make, however, as France proposes to phase the integration of Portuguese agriculture into the Common Agriculture Policy in stages. This is being examined suspiciously by the European Commission, which should report back by the end of next month.

The plan is seen in many quarters as offering much potential to delay negotiations further if France chooses to do so. In substance it looks like an attempt to deny Portugal the CAP's benefits for the products it turns out in large quantities while giving the Ten access to the Portuguese market for their products.

Yesterday's declaration was concerned with transitional measures for Portuguese cotton and for its imports of animal feeds, principally maize and sorghum. The Ten's proposals will also be taken away and examined in Lisbon.

Sr Saoguero was less enchanted by discussion on social aspects of membership. The Ten have already proposed a seven-year transition period before Portuguese nationals can work anywhere in the EEC, but Lisbon is appalled by the suggestion that Luxembourg, whose population is about 20 per cent Portuguese, will maintain restrictions on freedom of employment for 10 years.

Italian ministers ponder how to pay for accord

BY JAMES BUXTON IN ROME

ITALIAN economic ministers met yesterday to draw up legislation with which to implement last weekend's agreement on wages which includes a cut in the *scala mobile* indexation system.

The key issue is how much the concessions which the Government made to unions and employers on tax rates, social security benefits and contributions, and on tariffs for state-provided services, will cost over and above what it estimated when it drew up its budget for this year.

The extra cost has been put by outside observers at anything up to L3,000bn (£1.37bn) or L3,500bn (£1.6bn). This would come on top of this year's target public sector borrowing requirement of L71,000bn (£32.6bn).

Yesterday, Sig Vincenzo Scotti, the Labour Minister who led the negotiations, said that the real figure would be much lower and that it would be offset by the expected drop in the Government's massive interest payments as inflation dropped bringing down interest rates.

There are fears that the Government's earlier intention of cutting the enormous subsidies on public transport and big losses on electricity production by means of sharp rises in charges will be negated by the agreement. Under it, the Government is committed to raising electricity charges by only 13 per cent, the target inflation rate for this year, and is to allow cheap season tickets to offset rises in bus fares. Inflation is currently running at 16 per cent.

Shop-floor reaction to the agreement has been acquiescent but there have been some criticisms among employers, mainly directed at the reduction in working hours agreed with the unions.

Meanwhile, the Senate has approved emergency legislation enabling the Treasury to borrow L8,000bn above its normal limits from the Bank of Italy. The loan, which will be available for one year, should permit the Treasury, currently suffering a cash crisis, to meet in full the January salaries of state employees, which had appeared to be in jeopardy.

Energy consumption down 3% in West Germany

BY KEVIN DONE IN FRANKFURT

WEST GERMANY primary energy consumption dropped by 3 per cent last year chiefly as a result of the deepening recession and falling production from energy-intensive basic industries.

At the same time, the country's crude oil imports fell by a further 9.1 per cent to 72.4m tonnes following a decline of 18.7 per centh in 1981 and 8.7 per cent in 1980. The cut was helped by oil company moves to import greater quantities of refined oil products in an effort to reduce their heavily loss-making West German refining activities.

The return of the West German current account of the balance of payments into surplus was also aided by lower the average price dropping in *prices for imported crude with* 1982 to DM 616.48 per tonne compared to DM 619.49 per tonne in 1981. Overall, the country's bill for imported crude oil fell by DM 4.7bn to DM 44.6bn (£11.7bn).

West Germany's dependence on expensive imported energy remains an Achilles' heel of the economy. But the country has succeeded in cutting the share of oil in its overall primary energy consumption to 44.2 per cent last year, compared to 44.8 per cent in 1981 and a peak of 55.2 per cent in 1973.

According to preliminary figures from the Energy Balances Study Group, coal accounted for 21.2 per cent of primary energy consumption in 1982, improving its share from 20.9 per cent in 1981, while natural gas continued to fall *back marginally in importance.*

W. German winemakers produce record crop

West Germany's winemakers, famous for their Mosel and Rhine wines, produced a record 15.4m hectolitres (338.8m gallons) last year, more than double the 7.16m hectolitres of the previous year, according to the industry association, Reuter reports from Frankfurt.

Growing conditions last year "were ideal—just enough rain and just enough sun at the right times," said a spokesman. The previous record wine production for the industry, which has an annual output valued at about DM 4bn (£1.05bn), was 11.4m hectolitres in 1977.

Following two disastrous harvests that started with a meager 4.63m hectolitres in meagre 4.63m hectolitres in the industry a chance to regain market share lost to French and Italian competitors.

West German producers, after years of dominating the domestic market, last year supplied only 50 per cent of the nation's per capita wine consumption of about 20 litres, excluding champagne.

Exports topped 2m hectolitres for the first time last year, and the industry expects a 5-10 per cent rise in 1983. Export revenue was around DM 700m (£184m), with Britain, the Netherlands and the U.S. the main chief importers. Domestic sales were estimated at slightly more than DM 3bn.

Herr Otto Meyer, wine growing minister in the state of Rhineland Palatinate, says the record production should guarantee steady-to-lower prices for consumers this year.

EEC oil scheme

The European Community has extended its compulsory registration scheme of crude oil imports until the end of the year, AP-DJ reports from Brussels. The scheme, introduced in 1979, is meant to enable the Commission and member states to monitor import pricing.

Mafia murder

A car containing the bullet-riddled body of an Italian state prosecutor was found yesterday in the hills above Trepani in Sicily in what appeared to be a Mafia murder, police told Reuter. Sig Giangiacomo Ciaccio Montalto (40) had launched a series of anti-Mafia *trials.*

A reformist storm is sweeping the public sector, writes **Tom Burns** in Madrid

Gonzalez shakes the dust off bureaucrats

THE SPANISH Prime Minister, Sr Felipe Gonzalez, is prompting something of a social revolution. "For the first time in the history of Spain," he said in a recent television interview, "those who are sitting on the Government front bench will only earn a salary as ministers."

He is seeking to end the time-honoured Spanish tradition of holding down more than one job, or at least receiving more *than one income—a tradition* which appears to have stretched right to the top.

Sr Gonzalez's reforming zeal does not end there. One of the early measures of his new Socialist Government aims to make the massive state bureaucracy clock in on time, remain at the workplace and stay in the office during the afternoon.

His aim is to make the standard Spanish joke about civil servants redundant. The joke has it that an *enquirer* about the whereabouts of a minor government official is told: "*He doesn't work in the afternoons, in the morning he isn't in.*"

The real talking point in Spain these days revolves around the manner in which the Socialist Government is delving into a social fabric which accepts multi-employment and petty venalities in the public and private sector as facts of life and which manages to reconcile what in other Western societies would be *seen as self-evident conflicts of* interest.

Socialist officials unabashedly say the Government is introducing "morality" into the system, that Madrid's priority is to put Spain back to work "on an ethical footing."

In his first 50 days in Government, Sr Gonzalez has attempted giant strides in the overhaul of public sector attitudes to work with three directives:

- The strict implementation of legislation *prohibiting more* than one income from public funds.
- New legislation to set down vigorous civil service guidelines.
- The strict application of wages ceilings at the top of the public sector.

This is an ambitious task. The directive restricting incomes from public funds cuts right across the social strata and affects principally politicians and *media personalities.*

Most MPs are affected. Some 50 of the 202-strong Socialist Parliamentary Party, for example, are university lecturers and professors who will have to forgo under the present rules both their academic activities and their income.

A further 30 will have to jettison salaries from the judiciary system and many more have state paid jobs as secondary teachers, national health doctors, civil servants and municipal employees. There is a similar tale on the opposition benches.

On the national television and radio networks, *well established* national favourites were discovered to be holding down several salaries from different channels and, in certain instances, moonlighting in private radio.

Prime Minister Felipe Gonzalez has ordered that his £40,000 annual salary will be the ceiling for all state employees

The head of television news, for one, was also a salaried employee of a government body known as the Institute of Ibero-american Cooperation.

Lower down the social scale, a host of semi-skilled and skilled workers have come under scrutiny for holding down morn*ing jobs, ranging from porters* to electricians in hospitals, schools and a variety of government departments while performing similar jobs in other official institutions in the afternoon. These have been forced to choose between one job and one salary, or as one public employee who worked a 14-hour day in two places put it: "One half job and one half salary."

The medical profession, where common practice has been for doctors and registered nurses to put in time at several clinics and multiply their earnings in addition to working privately, is one of the hardest hit by what is known as the law of "*incompatibilidades.*" A stormy meeting last week of the medical council agreed to delay a threatened nationwide strike pending talks with the Health Department.

Similar threats are to be heard among minor civil servants. This week, Government offices began operating between 4.00 pm and 6.00 pm in the afternoon, in accordance with the new directives.

The unprecedented nature of the new post-lunch Government office hours was illustrated by a poor response from the public who have from time immemorial been used to a mornings-only routine. And the bureaucrats had in many cases to give up afternoon clerical jobs in the private sector.

The problem is that over the years state service has proved attractive, not because of its comparatively high salaries but because of its security and the *margin it gave for other employments.* Multi-employment has long been a national characteristic and at the bottom end of the labour market, it is an economic necessity.

In its drive to make one man-one job the rule, Madrid hopes that some inroads might be made on an unemployment total of 2.15m, or 16.5 per cent of the workforce. Officials admit, however, that many jobs can be expected simply to disappear, reflecting the often gross overmanning to be found in every walk of Spanish life.

The immediate result of this controversial crack-down has been a general tightening of belts. Sr Gonzalez has maintained the Prime Minister's annual salary at Pta 8m (£40,000) and ordered that his salary is the ceiling for all state employees.

This meant, for example, that the head of the Instituto Nacional de Hidrocarburos, the state energy holding, had his Pta 16m salary halved.

Such cuts appear, however, to have left broad social sectors unimpressed. A recent move to double the salaries of MPs, raising them to Pta 4m—to compensate for the single wage—raised such a popular outcry that it has had to be shelved.

By tampering with the social fabric and playing havoc with *ad hoc* wages and labour structures, the new government has in its early days created ill-feeling and resentment.

Some experts believe that in addition, the Government may *have created the conditions for* a thriving "black" economy.

Balsemao plans stopgap financial measures

BY DIANA SMITH IN LISBON

PORTUGAL'S CARETAKER Government led by Sr Francisco Pinto Balsemao is expected to push through stop-gap financial measures to keep the country running once Parliament is dissolved, and a date set for an early general election.

Constitutionally, a caretaker government cannot initiate a budget. Sr Balsemao resigned in December before his coalition steered the 1983 budget through Parliament.

However, an outgoing adminstration and Parliament can pass basic measures—tax increases and larger monthly allocations *to ministries on which the* system operates in the absence of a budget. This is likely to be done as fast as possible, permitting President Antonio Ramalho Eanes to dissolve Parliament rapidly and call an election not less than 60 days and not more than 90 days later.

The 1983 austerity plan proposed by the outgoing Government—calling for cooling of demand and consumption, and 0.5 per cent economic growth—was rendered obsolete by the political crisis, although it was seen as the only feasible remedy for the troubled economy.

The Balsemao administration had planned to borrow $4bn *from the foreign market in* 1983, when the principal falls due on the $750m jumbo loan taken in 1978 under a tough agreement with the IMF.

President Eanes's decision to give the Government a brief second wind reflected a need to comply with vital tasks like the 1983 Republic of Portugal loan of $650m, for which parliamentary authorisation is essential. This loan is vital to cover serious balance of payments problems — and Sr Balsemao resigned in December before preliminary talks on the loan could come to fruition.

The matter has been in abeyance while an outcome was sought for the political crisis. *Conditions this year are likely* to be tougher than those granted for the 1982 $500m loan, before the economy sank into the doldrums.

Portugal last year held out for spreads over Libor of a half and three-eighths of a per cent against strong resistance from international banks leading the syndicate.

- One and a half million passengers in the Lisbon area were without public transport yesterday because of a 24-hour strike by the public bus and tram system. Lisbon's tenancious car drivers jammed the roads despite the hefty new price of petrol of Es 73 a litre (£1.97 a gallon) in a country with an average wage of less *than £100 a month.*

Greek women granted full equality

ATHENS—Parliament passed a law yesterday granting Greek women full equality with men, making divorce easier and replacing the age-old dowry with tax-reduced marriage settlements also available to men.

The law, which passed unanimously in the early hours, was bitterly opposed by hardline clergy in the Greek Orthodox Church.

Conservative MPs expressed opposition to the divorce reforms in the new law, claiming it made getting divorced "too easy," but voted with the Socialist majority.

AP

Madam Mao given life sentence

By Tony Walker in Peking

JIANG QING, 69, widow of China's late chairman, Mao Tse-tung, will not be executed. Her death sentence has been commuted to life imprisonment, it was reported in Peking last night.

Madam Mao, leader of the so-called "Gang of Four," was last seen two years ago when she was dragged, screaming Maoist slogans, from a Peking court after being given the death sentence suspended for two years to allow her time to repent.

Also sentenced to death at the time was Zhang Chunqiao, 65, the former Mayor of Shanghai. The "Gang of Four" was accused of "persecuting thousands of officials to death" during China's Cultural Revolution of the 1960s and 1970s.

Xinhua, the official New China News Agency, reported that China's Supreme Court had reduced to "life imprisonment the death penalty, with a two-year reprieve handed down two years ago on Jiang Qing and Zhang Chunqioa."

Xinhua said the court had found that the "two criminals had not resisted reform in a flagrant way."

Significantly, the report did *not go into detail about Madam Mao's* behaviour in custody which was reported to have been less than exemplary.

In August last year, Hu Yaobang, the Communist Party General Secretary, said: "Jiang Qing lives well in her prison, but persists in behaving as an ideological and political enemy of our people."

The Xinhua report of the court finding made no mention of the other two "gang" members—Wang Hongwen, 47, and Yao Wenyuan, 51, who were given life and 20 years' imprisonment respectively.

The "Gang of Four" was also accused of plotting to overthrow the Government. At the time of her sentencing, Jiang Qing was accused of being the ringleader in counter-revolutionary activities.

Chinese leaders almost certainly made the decision not to execute Madam Mao at the time of the "Gang of Four' trial, even though she challenged the court to sentence her to death.

Zhang Chunqiao is believed to be gravely ill with cancer of the throat. Wang Hongwen to be a model prisoner on a labour reform farm, and Yao Wenyuan to be working as an assistant librarian in a prison.

Jiang Qing is believed to be making dolls and embroidering her name into each one so that it cannot be sold.

Price differential issue catches unprepared Opec off guard

BY RICHARD JOHNS IN GENEVA

FOR THE third time in only seven months, the Organisation of Petroleum Exporting Countries (Opec) has failed to co-ordinate its pricing and production policies in the face of the very great threat to members' livelihood posed by a limp oil market and competition from other producers.

They have become almost philosophical about their inability to agree on the concerted action required for their financial survival. Thus, delegates did not leave their Geneva meeting yesterday in a state of bewildermen, let alone disarray, as might have been expected.

Even so, some of them were left wondering how it was that they so quickly lost what could be the last opportunity for Opec to adopt an effective output sharing agreement. The deal Opec was aiming for would havedefended the official price of $34 per barrel, now more honoured in the breach than observance.

The fact that the meeting was convened so quickly, only five weeks after Opec's regular ministerial conference in Vienna last month, indicated not only the seriousness of the producers' predicament but also *suggested* that the ground had been well prepared.

So too did the apparent willingness of members to agree to quotas which might have made possible respect for a ceiling of 17.5m barrels a (b/d), compared with one of 18.5m b/d set in December. That scenario seemed almost too good to be true and, in retrospects, probably was.

In the event, communication between the oil nations before the conference and understanding by other members of the position of Arab producers of the Gulf proved to be lamentably inadequate in one vital respect.

That concerned the crucial, unresolved and contentious issue of the correct price differential to be set for the high-quality crude — very light, non-sulphurous and geographically closer to the main West European and U.S. markets—produced by Algeria, Libya and Nigeria.

Almost incredibly, Mallam Yahayu Dikko, chief delegate of Nigeria and the current president of Opec, complained after the meeting that those members most directly concerned had come to Geneva without knowing that price differentials were going to be discussed.

He had taken part in talks in Bahrain a week before, involving chief delegates of eight out of the 13 members and had subsequently gone to Tehran to brief Mr Mohammed Gharazi, the Iranian Minister of Oil, who afterwards stated his government's willingness to lower its production targets.

PROPOSED PRODUCTION QUOTAS

	17m b/d	17.5m b/d
Algeria	700,000	750,000
Ecuador	200,000	200,000
Gabon	150,000	150,000
Indonesia	1.3m	1.3m
Iran	2.5m	2.5m
Iraq†	1.25m	1.35m
Kuwait	1.1m	1.15m
Libya	1.1m	1.15m
Nigeria	1.3m	1.35m
Qatar	300,000	300,000
Saudia Arabia	4.5m	4.7m
UAE	1.1m	1.1m
Venezuela*	1.7m	1.7m

* Individual figures do not add up to the proposed ceilings because an extra 200,000 b/d was allotted to Venezuela by general agreement.

† Iraqi capacity is limited to 900,000 b/d with maximum exports at 650,000 b/d.

At the regular conference in Vienna last month, when ministers had last struggled over *allocation of output quotas, differentials* had hardly been discussed.

At the same time, the importance attached to differentials by Saudi Arabia and Kuwait was known to all.

In practice, though, all Opec economists recognise that no system of quotas is likely to work unless the selling rates set for various crudes are regularly tuned to market demand.

The problem is a perennial one and it was only satisfactorily dealt with in the 1975-77 period. The man chiefly responsible at that time was Mr Nordine Ait - Laoussine, formerly vice-president of the Algerian State oil corporation, *Sonatrach, and now a respected* consultant based in Geneva.

He commented outside the meeting that differentials should be reviewed every quarter under a commonly accepted mechanism — which does not exist now. But he questioned the argument for widening differentials at a time when the African crudes are commanding little or no premium on the spot market, albeit a very moribund one.

Much more important, as a pre-requisite for a co-ordinated production policy is the elimination of discounts, in the opinion of Opec experts.

Sheikh Ali Khalifa al Sabah, Kuwaiti Minister of Oil, put it succinctly in saying: "If Kuwait is allocated 1.2m b/d, if others are giving discounts, and I can sell only 650,000 b/d, what is the point?"

As it was, Opec went surprisingly far towards an agreement on individual quotas by settling, in principle, on an overall ceiling for the time being of no more than 17.5m b/d, with an alternative of 17m b/d. Both are more or less in line with the rates at which collective output has been running.

But any deal would probably have amounted to little more than a cosmetic compromise. It cannot be certain that one would have been formally concluded, anyway, even if there had been no *dispute over differentials*.

Iran's determination to bring down Saudi output to the minimum is the major reason for lack of certainty that any formal deal could have been reached. Ayatollah Khomeini's revolutionary regime is set on undermining the Kingdom's predominance within Opec and limiting its revenue so that Saudi financial support for Iraq can be limited or terminated.

Mr Gharazi was shamelessly frank within the conventions of Opec in asserting after the meeting that Iran's stance within Opec was geared to its war objective and regional *policy*.

Sheikh Yamani did not dissent from the proposal put by Mallam Dikko that Saudi Arabia should be limited to 4.5m-4.7m b/d.

He merely said, with a reported touch of sarcasm, that the volume would have to be all Arabian Light if Saudi Arabia was to be provided with all the desalinated water and electricity which it requires. Only associated gas from higher gravity crudes is exploited in the Kingdom now.

Sheikh Yamani gave no indication as to whether his govern- would be prepared to close down production from fields producing medium and heavy varieties in contravention of policy requiring a 65: 35 ratio. But he had thrown a new joker into the Opec pack.

Venezuela too failed to acquiesce in a consensus giving it an improved allocation of 1.7m b/d, as opposed to the 1.5m b/d originally contemplated.

An output of 2m b/d with exports of at least 1.6m b/d is considered necessary to stave off dire financial difficulties and even a default on debts.

Kuwait apparently demanded no less than 1.2m b/d. The United Arab Emirates was clearly dissatisfied with 1.1m b/d and has made an explicit threat to increase output. Dubai, part of the UAE, has been flagrantly discounting at prices below $30 for a crude equivalent to Arabian Light—an anomaly which has generally gone unnoticed.

Saudi Arabia's efforts to stabilise the oil price have been challenged by the ugly intrusion of Iran's war with Iraq and its confrontation in the Opec forum with Conservative Arab producers.

Without resolution of that political conflict or an improbable decision by Iran to insulate Opec and oil from its ideological zeal, it is difficult to see the $34 per barrel reference price being maintained indefinitely, regardless of what the UK, now pivotal in the world oil scene, does about its price.

The suspicion lurked in Geneva, meanwhile, that Saudi Arabia with an eye on ensuring the world's future dependency on it as a supplier — might be seeking to control a fall in prices to administer a "shock therapy" to recalcitrant Opec members and to assert its predominance over them. The Saudis would prefer that another producer should take the initiative in cutting prices, however, so that the Kingdom can be seen to be standing by its commitment to holding the price level.

Tokyo protests over Soviet missile plan in East Siberia

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

JAPAN protested strongly to the Soviet Union yesterday against Soviet plans to deploy nuclear missiles in Eastern Siberia. The protest, orally delivered by a senior Japanese foreign ministry official during a tense 70-minute meeting with the Soviet ambassador, also rebutted recent Soviet criticisms of Japanese foreign policy.

The Japanese move was provoked by two statements made by Soviet leaders last week about the planned transfer to Siberia of SS-20 missiles to "counter" the U.S. military build-up in the North West Pacific. The deployment plan was first mentioned in a speech made in West Germany by Mr Andrei Gromyko, the Soviet Foreign Minister.

Shortly afterwards the West German Press carried reports of a meeting between Herr Hans Jochen Vogel, the candidate for Chancellor of the West German Social Democrat Party, and Mr Yuri Andropov, the Soviet leader, in which very similar comments were made. Mr Andropov was said to have alluded specifically to the stationing of U.S. F-16 aircraft at Misawa in North Eastern Japan as the reason for the Soviet decision.

During yesterday's meeting Japan expressed "deep concern" about the transfer of the SS-20s and warned the Soviet Government against "unnecessarily increasing tension" in the Far East. The Soviet ambassador accused Japan and the U.S. of having taken the initiative in the current military build up in the North West Pacific.

The Soviet Union is believed to have about 100 SS-20 missiles stationed in eastern Siberia already but Japan's leaders have clearly been shocked by explicit statements from *Moscow that further missiles* are being moved to the area to counter U.S. forces stationed in Japan.

The Japanese Government has also been angered by allegations in the Soviet press that the new cabinet of Mr Yashuhiro Nakasone plans to construct a "triangular military alliance" embracing the U.S. and South Korea.

A final topic covered in yesterday's meeting was the Russian military buildup in the four islands immediately to the north of Hokkaido that are claimed by Japan.

AP adds from Tokyo: Mr Mahathir Mohamed, the Malaysian Prime Minister yesterday said his concern over Japan's plans to patrol sea lanes near Southeast Asia were dispelled in talks with his counterpart Mr Yasuhiro Nakasone. He added that Southeast Asian nations will not form a military pact to defend regional waters.

Japan's vehicle production falls 3.9%

By Kenneth Gooding, Motor Industry Correspondent

JAPANESE VEHICLE production fell 3.9 per cent in 1982—the first drop in output for eight years.

According to the Japanese Automobile Manufacturers *Association (JAMA), output* fell from the record 11.18m in 1981 to 10.74m.

JAMA attributed the decline to the industry's export performance being adversely affected by "voluntary" restraints on car shipments to several major markets.

In particular, the Japanese agreed to hold shipments to the U.S., their best car export market, to no more than 1.68m last year, representing a 10 per cent decline on the 1981 level.

Total vehicle exports from Japan are provisionally estimated to have fallen 7.6 per cent from 6.05m to 5.59m last year.

The 1982 production comprised *6.89m cars, down 1.3* per cent from the 1981 level; 3.78m commercial vehicles, down 7.8 per cent, and 67,000 buses, down 34.9 per cent.

It was the second successive year that car output fell. In 1981 it slipped from just over 7m to 6.97m, but the industry compensated for that set-back by producing and selling more commercial vehicles,

However, last year exports of pick-up trucks to the U.S. were severely hit because the U.S. manufacturers introduced their own models.

Reagan set for Mideast talks

BY CHARLES RICHARDS IN CAIRO

PRESIDENT Hosni Mubarak of Egypt flies to Washington today for talks with President Ronald Reagan almost exactly a year after his last visit. Since then, the fears voiced by Mr Alexander Haig, the then U.S. Secretary of State, that when it recovered Sinai under the Camp David agreement Egypt would throw its lot in with the *Arabs have proved unfounded.*

But a crisis of confidence in the U.S.-Egyptian relationship did arise when Israel invaded Lebanon. Egypt not only accused Israel of sabotaging the peace process but charged the U.S. with collusion or at least giving its tacit support to the invasion.

The recent Congressional decision to increase military aid *to Israel*, by doubling the amount of foreign credits, has surprised Egyptians, who see it as in effect condoning Israel's use of U.S. weapons to invade a sovereign country.

The announcement on September 1 of Mr Reagan's Mideast peace proposals helped restore Egypt's trust in the U.S.

Egypt, which mounted a diplomatic offensive over the summer to try to link the evacuation of Palestinian fighters from Beirut to a wider solution of the Palestinian issue, claims some credit for spurring President Reagan into making his initiative.

On this visit, Mr Mubarak will want to discuss further how to get the peace proposals moving.

Egypt also believes that the continued presence of Israeli forces in Lebanon, and the failure of the U.S. to put pressure on Israel to withdraw, are jeopardising the future of the Reagan initiative.

Mr Mubarak will also be pressing the U.S. to take a firmer line with Israel on its policy of building more Jewish settlements in the occupied West Bank and Gaza.

Egypt recognises that in the *negotiations on the future of* Lebanon, it is merely an interested bystander, and that its role in the Reagan proposals is undefined.

But it would regard the coming to the negotiating table of King Hussein of Jordan and a Palestinian delegation as vindication of its peace policy starting with Camp David.

From Washington, Mr Mubarak goes to New York, then Toronto, London and Paris.

OECD warning for Australia

BY OUR FOREIGN STAFF

THE RECENT modest relaxation of fiscal policy in Australia runs a substantial risk of rekindling inflationary pressures and should only be a temporary policy initiative. The Organisation for Economic Co-operation and Development gives this warning in its latest economic survey of the Australian economy.

In a gloomy assessment, the OECD concludes that Australia's efforts to introduce the conditions necessary for producing steady, non-inflationary, self-sustaining growth over the medium term have only been a partial success.

Wage inflationary pressures are still deeply rooted in the local economy.

"Although some reduction in real wages . . . was obtained in the period 1975-1981, experience of the recent upsurge suggests that pressures were dormant rather than modified and that the trade-off between faster growth and wage inflation has altered very little."

Inflationary pressures may ease during 1983 "in the absence of firm anti-inflationary policies, but they are likely to return with renewed vigour if output recovers."

The economy in 1983 does not face as many major imbalances as in 1975-76 but the level of unemployment is now much higher—approaching 9 per cent —and the balance of payments may act as a greater constraint on growth than has been the case in recent years.

The sharp slow-down in the growth of the Australian economy during 1982 is forecast to give way to a recovery in demand and output by late 1983, although not to the peak rates of growth experienced in 1981.

U.S.-Angola meeting on Namibia

By Quentin Peel

RENEWED TALKS between U.S. and Angolan officials on a Namibian settlement and the related issue of the withdrawal of Cuban troops from Angola were due to begin in Luanda yesterday, according to Western diplomats.

But they discounted reports of an imminent ceasefire agreement between South Africa and Angola in the south of the country.

The U.S. mission is the first such formal contact since last September, and is intended to pave the way for more substantive talks later, it is understood.

In South Africa, Mr Pik Botha, the Foreign Minister, confirmed that negotiations were in progress between his country and Angola on a possible ceasefire on the Namibian border,

Nigerian phone links damaged

Nigeria's international telex and telephone links are likely to be severely restricted for an unknown period following the fire in the Lagos headquarters of the Nigerian External Telecommunications (NET) corporation, Quentin Peel reports.

An official for Ericsson, the Swedish manufacturer of the international telephone exchange, said that the telex exchange was said to be out of service and badly damaged,

The fire therefore appears to leave Nigeria with cable and radio links to neighbouring countries, but little else to carry international communications traffic.

ENERGY REVIEW

Oil: the Ivory Coast's 'secret' sector

By Peter Blackburn in Abidjan

A RECENT offshore oil discovery by Phillips Petroleum has raised the prospects of the Ivory Coast's flagging oil industry. It is being described in some oil industry circles as "potentially the biggest so far as well as the most important west of Nigeria."

The discovery, called the B1-5X, is located about 60 miles south west of Abidjan and eight miles south-east of Grand Lahou. The well is said to have tested 6,000 barrels a day of good quality crude oil. Within the industry it is being said that in commercial operation the well could flow at nearly 10,000 b/d.

However, neither Phillips nor the Ivoirian Government will comment on the reported discovery. Industry sources add that several confirmation wells need to be drilled to determine *the size of the field. They are* mindful that the Espoir offshore oilfield, discovered by Phillips in 1979, has failed to live up to early expectations.

Observers say that because of the present soft oil market, Phillips may be in no hurry to develop the field which is located in 300 feet of water. It has reportedly completed its drilling programme to 1985 and, *given relations with the Ivoirian* Government strained by disputes over tax refunds and sharing of exploration and development costs, it may be reluctant to press ahead with development. The Ivory Coast, with a serious payments problem, is anxious to build up oil revenue quickly.

Although the Espoir field does not appear to offer hopes of a bonanza, it should enable the West African country of 8m people to become a net oil exporter by 1985.

President Felix Houphouet-Boigni is probably not displeased by the pessimistic forecasts of the country's oil reserves. Ever since Esso's offshore "Belier" discovery in 1974 he has down-played the importance of oil. The President is determined that agriculture should continue to provide the basis for economic growth.

"The President wants to keep the farmers' feet on the ground and prevent them plunging out of their depth into oily waters," an observer remarked. Above all he is anxious to avoid following Nigeria's example where the discovery of oil has led to the growth of a dangerously lop-sided economy.

The Government has therefore shrouded the oil sector in secrecy. The country's many thousands of cocoa and coffee farmers scarcely know that oil exists.

While discouraging publicity, the Government keeps a close watch on the development of the oil industry.

While the Ministry of Mines has overall responsibility, implementation of oil policy is delegated to the state-owned Societe Nationale d'Operations *Petrolieres (Petroci). It* was created in 1975 to join in joint ventures with foreign oil companies in oil exploration and development. About one-third of Petroci's senior staff are expatriates.

The combination of official secrecy and the uncertainty over the size of oil reserves makes forecasts of oil production and revenue difficult. Output this year is conservatively forecast to be 1.5m tonnes against an estimated 1.2m tonnes last year.

The Belier field south east of Abidjan off Grand Bassam, which started production in August 1980, is producing about 10,000 b/d. The production platform is being modified to introduce gas injection techniques to allow output to stay at the present level for about another three years. But output is expected to drop by about two-thirds by 1988.

The Espoir field south west of Abidjan off Jaqueville is using temporary production facilities designed to last until 1985. The objective is not only to provide the Government with badly needed revenue but also to give a clearer indication of the field's potential before heavier investment is made. Five production wells have been drilled and connected to a jack-up rig modified into a production platform. The high-grade light oil is piped into a nearby tanker but apparently no long-term decision has yet been reached on whether to export it or ship it to Abidjan's revamped Vridi refinery.

While volumes are small by Nigerian standards they are most significant for a country with only a tenth of the population. Until 1980 oil was wholly imported in the Ivory Coast and constituted over 50 per cent of total energy consumption. Petroleum consumption actually fell in 1980. This reflected a major expansion of hydroelectric capacity which reduced the demand for fuel oil thermal power production. While the planned Soubre hydroelectric scheme is designed to meet electricity demand until the end of the 1980s, overall energy consumption is forecast to double to 4.6m tonnes of oil equivalent during the decade.

The start-up of production at the Belier field in 1980 resulted in a 500,000 tonnes drop in crude oil imports to 1.6m tonnes in 1981.

Government uncertainty over oil policy coupled with a shortage of funds is slowing down oil exploration and development. When the decision was taken to develop commercially the Espoir field in May 1981, Petroci had the option to raise its stake in the consortium to 60 per cent from 10 per cent. Petroci has still not made up its mind.

One reason for the delay is uncertainty over the size of the field. Subsequent drilling has shown that the field is fragmented. This not only reduces the potential reserves but increases development costs. Second, technical problems associated with drilling in deep water on a steeply sloping ocean bed have also swelled investment.

With costs at Espoir running at over $500,000 each day and an early development and production programme costing an estimated [illegible]n to the end of 1984, the Abidjan Government wants to be certain of the long-term benefits. At the same time the country is heavily in debt: public external debt exceeds $4bn, and debt service absorbs 38 per cent of export receipts.

The World Bank stepped in last summer with a $101.5m loan to help Petroci pay its share of costs. The loan was also intended to encourage commercial banks to finance development of the Espoir field. Bankers Trust, Citicorp, Societe Generale and Banque Nationale de Paris were appointed lead managers for a $1bn loan earlier this year. But negotiations are now reportedly suspended because of Phillips's "inability or unwillingness" to provide sufficient information to evaluate the field's potential, informed sources say.

Relations between Phillips on the one side and the Government and Petroci on the other are said to be "less than perfect." Phillips is reportedly concerned about non-payment of VAT refunds and Petroci's share of costs which together total some $50m. However surces close to Phillips claim there is "no conflict" and that problems are being resolved.

The sources also deny that Phillips has threatened to halt exploration in mid-1983. There is a pause while a new seismic survey and production experience from the Espoir field is evaluated, the sources explain.

Exploration in the Ivory Coast has slowed markedly in 1982 with the number of rigs reduced from five to two. The cutback has hit the numerous oil service companies which flocked to Abidjan following the discovery of Espoir. Now they are slimming staff and lowering life styles so as to hang on until exploration picks up, possibly towards the end of 1983, according to industry sources.

Offshore exploration was started by Esso in 1970 when France's Societe Africaine de Petrole abandoned the Ivory Coast after drilling ten dry onshore wells. Petroci also drilled three dry onshore wells in the 1970s. Esso discovered the Belier field in 1974 in 60 metres of water 28 kms off the former capital Grand Bassam. *Production started in August* 1980 but hopes of a major field have long since evaporated.

Esso also has three exploration permits stretching eastwards from Abidjan to the Ghanaian border. Shell (21.25 per cent) and Petroci (15 per cent) are partners in the consortium with Esso (63.75 per cent).

Following the discovery of the Espoir field, foreign oil companies attracted by the country's political stability, reasonable contract terms and working conditions, have scrambled for exploration permits. Four new permits have been awarded and competition is reported to be "intense" for a fifth block—the J1—situated offshore and SW of Abidjan.

The most recent permit—awarded in June 1982 to the U.S. Tenneco group—is for the adjoining 5,000 sq km K1 block 200 kms west of Abidjan off the town of Fresco. Exploratory drilling is not scheduled to start until the second half of 1983. Located in deep water it will be both expensive and technically challenging.

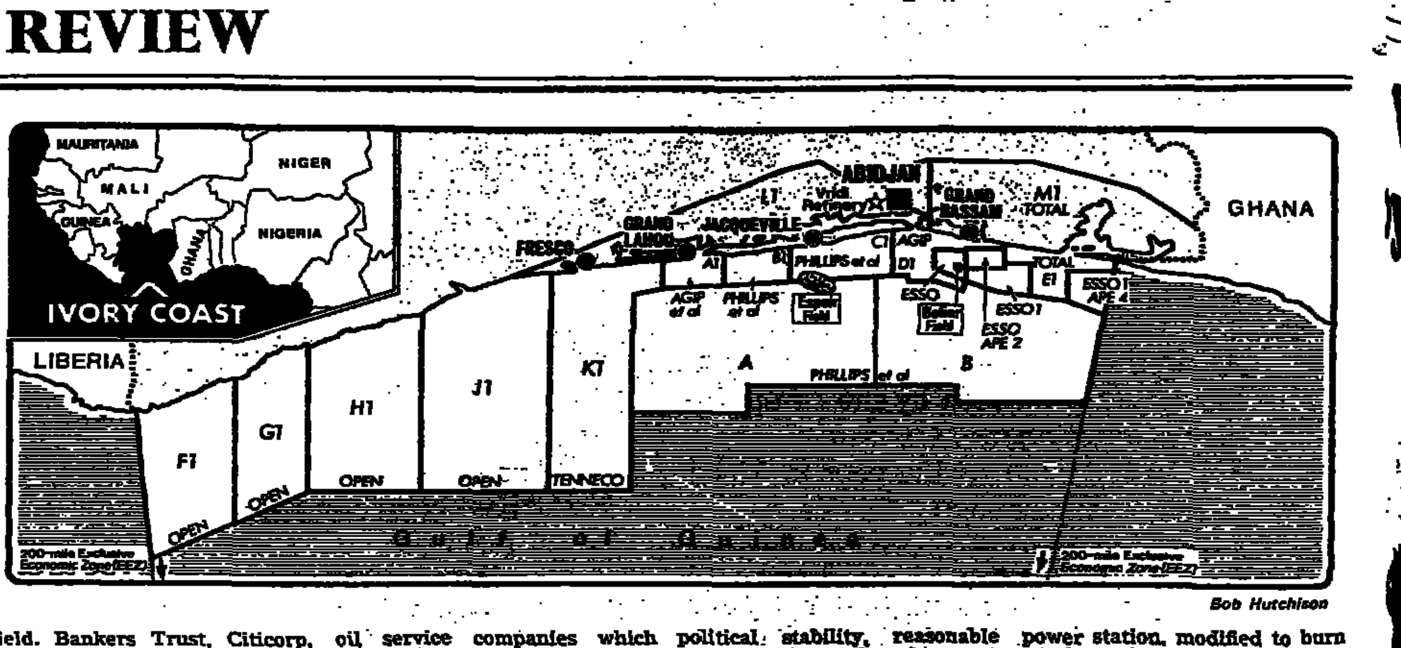
While recent drilling has yielded disappointing oil shows, there are reports of substantial gas finds. There were unconfirmed reports early in 1982 of a major gas discovery—the "Elephant" field—on Phillips's A1 and B1 blocks west of Espoir. The wells have however been plugged as the Government has no plans at present to exploit commercially the gas. *Observers say one possi*bility would be to pipe the gas to Abidjan's Vridi thermal power station, modified to burn *gas instead of fuel oil.*

One major investment about to be completed is the expansion of Abidjan's Vridi oil refinery. Capacity is being doubled to 4m tonnes a year and the range of products broadened by the installation *of upgrading plant—a hydro*cracker and hydroskimmer.

Given the surplus world refinery capacity and the effect of heavy short- and medium-term commercial project financing on the country's external debt, critics have questioned the scheme's economic justification.

The refinery supplies not only the Ivory Coast but also land-locked Upper Volta and Mali and should, it is hoped, meet demand until the end of the 1980s. The refinery is managed by the Societe Ivoirienne de Raffinage in which Petroci has a 42 per cent interest. Other shareholders are the Government of Upper Volta and seven international oil companies.

Should economic growth recover in the second half of *the 1980s, the Ivory Coast would* be well placed to satisfy its energy needs.



Bob Hutchison

Popularity rating of Reagan at new low, say polls

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan's popularity, and his image as a leader, have slipped to new lows in recent weeks, according to opinion polls published yesterday on the eve of his second State of the Union address.

The two polls — one taken by the New York Times and CBS news, the other by the Washington Post and ABC News — show Mr Reagan's popularity rating hovering just above 40 per cent, virtually the same as Mr Jimmy Carter's rating half-way through his presidency.

The polls showed mounting resistance to the key Reagan policies of increasing the military spending and reducing social programmes. For the first time, a majority (54 per cent) told the Washington Post-ABC poll that Mr Reagan was going too far in raising defence spending.

In the New York Times-CBS poll, six out of 10 Americans said they were willing to forgo the last 10 per cent instalment in Mr Reagan's three-year tax-cutting programme, due on July 1, to help reduce budget deficits.

Four out of five people told the Washington Post ABC pollsters that tax cuts had so far made little or no difference to the amount of tax they actually paid, and a majority said inflation was more of a problem than a year ago, despite the Administration's unquestionable success in bringing the inflation rate down.

Only four out of 10 said they were "very confident" or "fairly confident" that the Reagan economic programme would improve the economy, while 53 per cent said that they were "not very confident" or "not confident at all"—a sharp rise from 43 per cent in October.

The New York Times CBS poll showed that only 53 per cent regarded Mr Reagan as a strong leader, down from 78 per cent at the start of his presidency.

The Washington Post ABC poll, however, suggested that most Americans still thought he was strong enough to push his budget proposals through Congress.

The poll also showed as much popular discontent with the Democrats as with Mr Reagan and his Republicans. Some 60 per cent said the Democrats spent too much time criticising the Republicans instead of producing their own proposals, and a majority blamed the Democrats as much as Mr Reagan for the high level of unemployment.

Asked if he was concerned about the polls yesterday, Mr Reagan said that he did not really worry about them. "I don't think those people voted for me anyway," he said.

But the Washington Post-ABC poll showed that approval of his Presidency among Republicans had declined to 74 per cent, from 85 per cent in October.

Argentina hopes for further $2bn loan

By Jimmy Burns in Buenos Aires

ARGENTINA hopes to obtain some $2bn (£1.3bn) in additional funds from external sources as a result of Wednesday's approval by the IMF of a $2bn aid package.

Central bank officials said yesterday the IMF agreement had opened up "good perspectives" for an early signature on a five-year term loan of $1.5bn.

The loan is being negotiated with the same main creditor banks which lead managed a $1.1bn bridging loan signed on December 31, according to bank officials in Argentina.

Argentina is also expecting to sign a $500m short-term bridging credit with the Bank of International Settlements in Basle soon. The credit, originally suggested at $750m, has been under negotiation for several months. The Bank of England will not participate in the operation.

According to the Argentine central bank, talks are also at an advanced stage on the renegotiation of between $5.5bn and $8bn of short-term debt which falls due this year.

Considerable pressure is being put on U.S. banks by the Federal Reserve to reach an early agreement. There will be further high-level talks with international banks when Sr Jorge Wehbe, the Argentine Economy Minister, flies to Washington on February 11 to attend the IMF interim committee meeting.

The IMF credit formed part of an international aid package to help Argentina overcome its debt crisis.

There is now some confusion over official estimates of the debt. The central bank yesterday contradicted the Economy Ministry by insisting that the size of the foreign debt was $39bn and not $43bn as mentioned in some reports.

With the bulk of Argentina's politicians on summer holiday, public reaction to the IMF agreement has been muted.

Yesterday, Sr Antonio Cafireio, a leading Peronist official, claimed the Opposition had not been informed of the details of the IMF package and could only expect the worst.

Hhard-line leaders of the main trade union organisation, the General Confederation of Labour (CGT) repeated their demands for substantial salary increases and threatened renewed strike action.

The Union Industrial Argentina (UIA), the main employers' federation, said it was seeking a meeting with President Reynaldo Bignone to express its concern with the prospect of rising interest rates.

The UIA's apprehension has been stirred by unofficial estimates which show the Government is off target in its attempt to curb the inflation rate.

How a businessman survives civil war

BY WILLIAM CHISLETT, RECENTLY IN SAN SALVADOR

POWER CUTS, kidnappings, an acute shortage of raw materials and a dire scarcity of foreign exchange to pay for imports are the common fare of businessmen in El Salvador, where a three-year war between the armed forces and guerrillas has shattered the economy and left an estimated 40,000 people dead.

More than 150 small and medium businesses in the predominantly agricultural economy have closed down. Gross domestic product, currently about $3.5bn (£2.3bn) has declined some 25 per cent in real terms since the conflict began.

Many businessmen, particularly members of the immensely rich so-called 14 families who ran the economy, have fled to the U.S. fearing for their lives. And the UK closed its embassy there after two British bankers from Lloyds were kidnapped in 1979.

Dr Giannetto Paggi, the managing director of Industrias Unisola (Unisol), the joint venture between Salvadorean interests and the Anglo-Dutch company Unilever, is a notable exception. Not only has he stayed in El Salvador to run the largest foreign manufacturing concern in the country, but he also claims to have escaped most of the financial and political problems endemic there.

A stocky, good-humoured man of 62, who came to El Salvador from his native Italy 34 years ago, he travels to work every day in a bullet-proof station wagon. There are also well armed guards at the factory in El Salvador's main industrial zone. "Security is the only growth industry we have," he comments wryly.

Dr Paggi can rattle off a list of colleagues who have gone into exile in the U.S., been killed or kidnapped. Danger is never far away. Last week, for instance, rebels raided a nearby shoe factory and after a shoot-out with troops drove off with three lorry loads of shoes.

Unisol is the largest producer of edible oils and fats, margarine, soap, toothpaste, shampoo, detergents and powdered soups in El Salvador and the company also exports to Central America. The 50-50 joint venture was established in 1962 and today employs 1,150 people.

Its main problem is to obtain supplies of cotton seed, the raw material of its cooking oils. Until 1978, the company obtained 80 per cent of its needs in El Salvador, but since the war began cotton production, which is largely concentrated in the east of the country where fighting is intense, has fallen by more than 50 per cent.

Civil strife has had a disastrous effect on the production of El Salvador's major commodities, including coffee, sugar and cotton, which account for 80 per cent of its exports. Prices for these commodities have also plunged on world markets

Indeed, civil strife has had a disastrous effect on production of all El Salvador's major commodities, including coffee and sugar as well as cotton, which between them account for 80 per cent of the country's exports. Prices for these commodities have also plummeted on world markets.

As a consequence of this decline, Unisol has to import 80 per cent of its needs from the U.S. Obtaining the remaining 20 per cent from El Salvador is a precarious business because trains, buses and lorries are a favourite target for the guerrillas. They have destroyed a quarter of the 2,827 buses which used to operate in El Salvador three years ago.

The burden of imports this has imposed on Unisol, however, has not unduly strained the company, according to Dr Paggi. This is because part of the massive U.S. programme of economic and military aid to El Salvador — an estimated $237m this year — is to make dollars available for essential private sector imports.

Dr Paggi said that thanks to U.S. aid, his company was able to purchase dollars from the Central Bank at the official rate of 2.50 colones to the dollar to pay for the cotton seed and other raw materials which it needs from the U.S. That compares with an unofficial rate of 4 colones to the dollar. But the company has been unable to repatriate any money for two years.

Unisol's practically unhindered supply of cotton seed at lower prices than in El Salvador has meant the price of food oils has remained unchanged in El Salvador since 1979, despite high inflation. Domestically grown cotton is more expensive because guaranteed minimum prices have been raised by the Government in an effort to stimulate lagging production.

Cooking oil is a basic food necessity in El Salvador and therefore politically sensitive. Poor families in San Salvador's dusty slums and the several hundred thousand refugees in makeshift camps, fry their food with oil.

Apart from two incidents, Unisol's labour relations have been peaceful. In April 1980, when the extreme left was trying to exert influence on the shop floor, Unisol's works manager was locked in his office for six days while collective bargaining took place.

Dr Paggi spent six days speaking to him by internal telephone.

In 1981 police were called in to evict two workers. Dr Paggi says that, as far as he knows, only one of his employees has joined the anti-Government guerrillas.

Unisol looks after its workers well and by cutting down on temporary personnel, has been able to maintain the size of its workforce. Its conditions include an average monthly salary of 1,300 colones (£337), a company shop where basic foods are reportedly sold at 15 per cent less than in supermarkets and a medical insurance scheme. These are generous in a society where 40 per cent of the almost 1m labour force does not have a permanent job and probably most of the 5m population live on the poverty line.

Brazil plans to curb inflation-linked salary increases

BY ANDREW WHITLEY, IN RIO DE JANEIRO

MILLIONS of Brazilians learned yesterday that they would be significantly worse off in future following the Government's announcement of across-the-board reductions of between five and 20 per cent in the automatic pay rises granted twice a year in line with inflation.

The long-awaited decision to alter the salary legislation coincides with a fresh surge in prices during January. The rise is expected to push the official inflation index back over the 100 per cent level for the first time since October 1981.

After a lengthy internal battle over the extent of the cuts to be made in salaries, a compromise formula was approved by President Joao Figueiredo on Monday.

Through a Presidential decree, it became law immediately and will apply to salary adjustments falling due from next month.

The decree still has to be approved by Congress when it reassembles in March. There it is likely to face considerable criticism.

Changes to the country's inflationary salary policy were among measures demanded by the IMF as the price for its assistance, which will total some $6bn (£3.9bn) in loans over the next three years.

Trade union leaders had threatened widespread disorder if the changes went through, and first reactions from the militant metal workers of Sao Paulo were predictably hostile.

However, the Government defended the reduction in real earnings for the lowest paid category of workers as a measure to stimulate employment.

Under the formula finally agreed by the Government, salary adjustments will continue to be made every six months to registered employees earning more than the official minimum salary. For most of Brazil this is currently about $1,050 a year.

However, the additional 10 per cent above inflation previously granted on earnings of between $1,050 and $3,140—affecting the bulk of Brazilians in work—has been eliminated. Reductions between 5 per cent and 20 per cent are being applied to middle and upper middle income earners.

Quebec teachers to strike

BY ROBERT GIBBENS IN MONTREAL

TEACHERS were set to begin an illegal strike in Quebec yesterday to protest against Government wage reductions in the public sector.

If a majority of local unions approve, more than 200,000 public sector workers are expected to be on strike within a week.

The threatened stoppage, which could involve hospital workers, civil servants and ferry operators, represents the greatest challenge to the government of Premier Rene Levesque since it was first elected in 1976 with broad union support.

A week of intense negotiation failed to head off the threatened general strike. The Government facing a C$3.25bn (£1.7bn) deficit this year, said it had no more money but offered a job-creation programme with funds saved by the wage reductions. The union leaders refused.

Public sector workers have had their wages cut by up to 20 per cent for three months to save the Government some C$400m. In the spring, wages return to their June, 1982 levels but will not reach end 1982 levels till 1985.

N-plant accident accord

NEW YORK—General Public Utilities, the operator of the Three Mile Island nuclear power plant in Pennsylvania, has reached a $37m (£24m) out-of-court settlement with the builder of the plant over the 1979 accident which shut it down.

The accident, which forced the evacuation of tens of thousands of people after radioactive gases escaped, was the worst in the history of commercial nuclear power.

During a three-month trial the utility tried to show that the manufacturer was negligent in not providing vital safety information. The manufacturer, Babcock and Wilcox, maintained the accident was caused because the utility operated the plant improperly.

The companies agreed to settle out of court, saying "that neither party has established that the other was the cause of the accident and that it would be counter-productive to incur the substantial costs of further litigation in an effort to resolve the issue."

Reuter

WORLD TRADE NEWS

Spain to open credit line to Egypt

By Tom Burns in Madrid

BANCO EXTERIOR, Spain's majority state-owned bank, the main channel for export finance in the country, will open on Friday a $40m buyer export credit line to Cairo's Misr Exterior Bank to finance the import of Spanish industrial equipment to Egypt.

The move emphasises growing Spanish interest in Egypt, which last summer awarded a $1bn military order to Spain and became, overnight, Spain's third most important trading partner in the Arab world, following Algeria and Saudi Arabia.

Sr Jose Fabrega, deputy chairman of the Misr Exterior, a joint banking venture created in 1981 by Exterior and Egypt's Banque Misr, said yesterday that the 1 per cent soft credit over three, five and seven years was also aimed to promote Spanish assembled engineering projects and training programmes in Egypt.

Last July's deal with Egypt, the biggest military export order ever clinched by Spain, involved the purchase of two Corvettes and six patrol boats from the state-controlled naval shipyard Bazan and 3,000 military trucks and 600 amphibious armoured personnel carriers from the state-run commercial vehicle producer Enasa.

The Spanish Government hopes that orders may be won for a further two Corvettes. President Hosni Mubarak is expected to pay a state visit to Spain this year which will highlight the new trade links between the two countries.

France seals Saudi deals

By David Marsh in Paris

TWO FRENCH construction companies, Dumez and Societe Auxiliare d'Entreprise, have signed contracts totalling over $500m for building work for the Saudi Arabian National Guard.

The Dumez contract, worth around $400m, covers the provision of additional facilities for a housing complex the group has already built in Saudi Arabia. Societe Auxiliare will carry out an order worth about $110m to construct buildings for the National Guard in Jeddah.

Saudi Arabia was the fourth most important foreign client for French capital goods orders last year, according to figures just released by the Foreign Trade Ministry.

Total orders received by French companies in this sector—a traditional strong prop for the balance of payments—rose slightly last year to FFr 95bn (£8.6bn) from FFr 91bn in 1981.

Nigeria and Algeria were the most important clients with orders worth FFr 13.5bn and FFr 12.4bn respectively.

Southern African investment spotlighted

BY MICHAEL HOLMAN

MAJOR opportunities for trade and investment in southern Africa will be outlined tomorrow at a two-day meeting of the Southern African Development Co-ordination Conference (SADCC) in Maseru, Lesotho.

Delegates from over 30 governments and 18 international agencies will be studying a three-volume appraisal* of industrial opportunities in the region which, if implemented, represent an investment of $800m, and a study of agricultural projects. The nine member states of SADCC are hoping for substantial aid finance for the schemes, and interest from private investors.

Britain will be represented by Mr Timothy Raison, Minister for Overseas Development.

The conference will bring together a wide range of governments, with most Western countries present as well as China, Japan, East Germany, the Soviet Union, Saudi Arabia as well as the World Bank, UN agencies, the Opec fund, and the Africa Development Bank.

Although pledges of aid will be sought they are expected to fall well short of what is really a notional figure. The region is in the grip of a serious recession and donors are at, or near, the limits of their aid budget.

Private investors are reluctant to commit themselves given a combination of political tensions in the area and economic difficulties, marked by severe foreign exchange shortages in all the countries concerned.

Nevertheless, the appraisal represents an invaluable guide to the area's industrial priorities and will provide the basis for government planning. The volumes analyse the size of the market, the existing capacity, and the prospects for export.

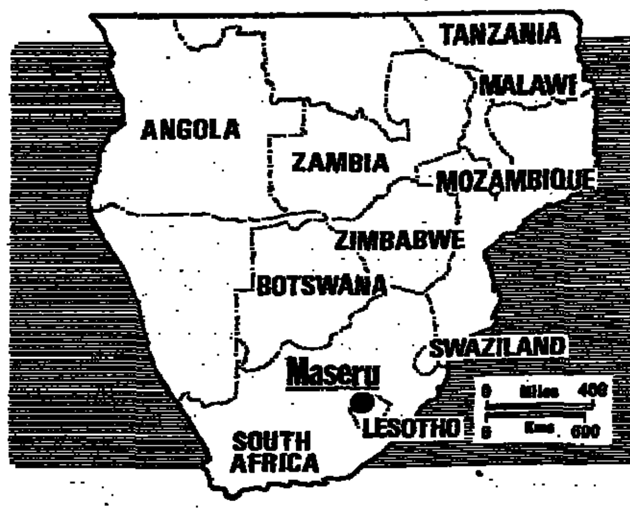
The market is potentially enormous, for the combined population of the nine member countries is some 60 million, with a gross domestic product of $20bn.

The region is rich in mineral resources including coal, copper, chrome, uranium, iron, nickle, and lead. Angola is an oil producer (around 140,000 barrels a day) and Mozambique hopes that exploration currently under way will lead to commercial production within five to six years.

The nine states—Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe—came together in 1980 with the object of reducing trade and transport links with South Africa.

The emphasis so far has been in the transport sector, where priority has been given to rehabilitating Mozambique railways and ports.

At this week's meeting, however, the emphasis will be on industrial co-operation. Delegates will also study reports on progress in transport, food strategy, and energy.



The three industry volumes, which run to several hundred pages, set out 52 projects which planners believe could be implemented, and a further 33 proposals which need study. Industries covered include cement, fertiliser, pulp and paper, textiles, chemicals, salt, tractors and farm implements.

The scale varies from a button-from-horn factory in Botswana which would cost $100,000 to a $160m ammonium nitrate and calcium nitrate plant in Malawi.

But what all projects have in common is the attempt to provide for the region's minimum needs in food, clothing, housing, health, water supply, power, transport and education.

Underpinning the industrial strategy is the belief that a project which would not be viable within the limited market of a single member might be realistic within the SADCC community.

Ministers will put this case to donors attending the meeting and seek two forms of assistance. The documents call for contributions in the fields of "Technology transfer, project financing, lines of credit, capital goods, training or project personnel, joint ventures and marketing arrangements," and towards the cost of feasibility studies.

Terms will vary from country to country, however. Membership ranges from the avowedly Marxist states of Angola and Mozambique which negotiate foreign investment on a case by case basis, to broadly capitalist Botswana which offers a wide range of investment incentives and does not usually demand that government take a majority share in the equity.

SADCC itself, which is establishing its secretariat in Gaberone, Botswana, may be able to guide interested businessmen through the range of investment conditions.

But there is a more serious difficulty. SADCC members—two of whom (Tanzania and Botswana) *have failed to sign* the preferential trade agreement for Africa—have yet to begin the task of drawing up tariff and customs regulations for the group. Some form of agreement will be essential if the principle that one plant or industry should serve the region is to be followed through.

* *Further information from the SADCC liaison committee, 22 Coleman Fields, London N1.*

U.S. Eximbank offers India credits worth $1.5bn

BY K. K. SHARMA IN NEW DELHI

THE U.S. Export-Import Bank has offered India credits worth $1.5bn in an attempt to improve U.S. sales to India. The credits could rise to $4bn in subsequent years.

This has been indicated by Mr William Draper, the bank chairman, in talks *with officials and* businessmen, during which he said that the U.S. had discovered India for the first time "as a sleeping giant."

Exim Bank lendings a few years ago averaged $400m annually but fell to $195m last year. Mr Draper has indicated the bank wants to increase its *lending to India at the current* 10 per cent annual interest rates it charges.

Eximbank loans are being offered to Indian companies for joint ventures, co-financing with the World Bank and transfer of technology from the U.S. Several areas have been discussed, notably India's needs in energy development.

Mr Draper said the Eximbank had offered India's oil and natural gas commission $600m as a "preliminary commitment" for development of the Bombay High offshore field. This was for purchase of platforms, rigs and drilling equipment.

The domestic Indian Airlines had been given a similar commitment for the purchase of five new Boeing 757s and Douglas DC9-80s.

"*Exim is wide open. We look* forward to India being the largest customer, surpassing even the $3.5bn borrowings by South Korea," he said.

Japan loan to finance Malaysian power plant

BY WONG SULONG IN KUALA LUMPUR

THE JAPANESE Government announced yesterday a special soft loan of Y50bn (£136m) to Malaysia to finance a power station.

The exceptionally large loan, made to mark the current visit of Dr Mahathir Mohammed, the Malaysian Prime Minister, to Japan, reflects Japan's high regard for the Premier, whose Government is urging Malaysians to emulate the economic success of the Japanese.

Under Dr Mahathir's "Look East" policy, Japanese and South Korean concerns are winning most of the big building contracts in Malaysia.

A Japanese consortium is *widely* expected to win, later this year, the contract for the construction of the U.S. $200m headquarters complex of Dr Mahathir's ruling United Malays National Organisation.

The 600 MW power station to be financed by the yen loan will be built at Port Klang and will be ready by 1986. It will be coal-fired.

Romanian plea to Comecon partners over trade

BY LESLIE COLITT IN BERLIN AND DAVID BUCHAN IN LONDON

ROMANIA has appealed to its Comecon partners for better trading arrangements in energy and raw materials and to West Germany for resumption of trade credits, in a move to bolster its flagging economy.

President Nicolae Ceausescu said in a recent interview that at the forthcoming Comecon summit meeting—for which no date has yet been set—"new steps have to be taken in order to solve certain problems regarding raw materials, energy, specialisation and international co-operation."

Romania imports oil to feed its big petrochemical sector, but *has so far not benefited from* the subsidised price at which Soviet oil is sold to other Comecon partners.

Mr Ceausescu also dispatched Mr Vasile Pungan, his Foreign Trade Minister, to Bonn last week for talks about trade credit.

Last March, West Germany stopped issuing government-backed guarantees through the Hermes export credit agency to cover Romanian purchase of West German goods, after Romania failed to pay interest on previous credit. A complicating factor was recent Romanian restrictions on the emigration of ethnic Germans.

Trade issues are expected to dominate the forthcoming *Comecon summit*, at which calls for greater commercial integration in the eastern bloc are likely.

Third World takes bigger export share

By Brij Khindaria in Geneva

DEVELOPING countries were the West's most dynamic trading partners between 1973 and 1981, buying about one-third of the increase in Western exports

The Third World's share of the increase in European Community exports between those years rose from 11 per cent to 24 per cent, from 21 to 36 per cent of U.S. exports and from 36 to 45 per cent of Japanese exports, according to a report by the UN Conference on Trade and Development (Unctad).

Yet Western nations placed *more than 20,000 non-tariff* barriers as well as a wide range of import tariffs against Third World exports,

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UK NEWS

Water strike worsens as settlement talks collapse

BY PHILIP BASSETT, LABOUR CORRESPONDENT

PROSPECTS of a quick settlement to Britain's first all-out national water strike suffered a severe setback yesterday when pay negotiations between unions and employers collapsed.

The failure of the talks came as:

- Water employers reported that about 6,000 properties were without mains supplies, with many minor pipe bursts recorded.
- Advice to boil water for drinking now affects more than 4m people in Manchester, the south-west, parts of Wales and Northern Ireland, and in Yorkshire.
- Sewage is being pumped into rivers and the sea without the normal level of processing.
- The use of standpipes in the street and emergency water carriers continued to be extended.
- Water authorities are building up their campaign for economy in using water in what they are now calling the present "emergency."
- Employers' leaders warned of a further "deterioration" in supplies as the strike went on after the breakdown of talks.

Government contingency planners acknowledged that if sewage feeds back into the clean water supply system during the water strike affected consumers may "temporarily" have to evacuate their homes.

Planners in the Government's Civil Contingencies Unit, based in the Cabinet Office, accept that sewage could feed back into water pipes in a few areas if pump failures occur, if there is heavy rain causing overspill, or if sewers become blocked.

Officials of the Advisory, Conciliation and Arbitration Service (Acas) will be in touch today with union leaders of the industry's 29,000 manual workers, and with the employers the National water Council.

But no further negotiations are planned between the two sides following the unions' firm rejection yesterday of a pay offer of 7.3 per cent over 16 months. This was based on the report of Mr Ian Buchanan, an Acas-appointed mediator.

The breakdown of talks came after four days of intensive negotiations which left the two sides as far apart as ever.

Union officials are not even due to meet again until Saturday, when they will consider the results of a swiftly-mounted membership consultation exercise, which will begin today.

Members will be asked through union branches whether they accept or reject the offer.

For the second day the strike was solid, with near-total support from the manual workers.

Six hundred water workers in Scotland are being instructed by the National Union of Public Employees to strike from midnight tomorrow, without waiting for the result of a pay ballot due today of the other workers involved.

The employers are stressing the value of an immediate £10 a week increase in earnings which, they claim, will flow from the offer, while the unions insist that the Buchanan-based increases are no better than the employers' previous offer of 5.9 per cent over 12 months.

Acas is once again faced with the difficult task of coaxing the two sides together. Under the terms of the formula to re-start the now-collapsed talks reached last week with Acas, there is provision for arbitration. The employers said, however, that in accepting the Buchanan report they now had no wish to put the issue to arbitration.

Negotiations between water unions and the employers have concentrated on water workers' relative pay – in particular, the unions' claim for water workers' earnings to be in line with the 'upper quartile,' or top 25 per cent, of outside manual workers' earnings.

Carrington defends Government over Falklands invasion

BY OUR PARLIAMENTARY STAFF

LORD CARRINGTON, who resigned as Foreign Secretary in the aftermath of Argentina's invasion of the Falkland Islands in April, last night spiritedly defended his role and attacked critics of the Government, the Foreign Office and himself.

In his first speech on the war since his resignation, Lord Carrington told the House of the Lords: "I do not think that the Government or the Foreign Office come out of this with discredit."

The House of Lords and the House of Commons were debating the Franks Report, published last week, on the circumstances which led up to the invasion. The report, drawn up by a Government-appointed committee under the chairmanship of Lord Franks, found that the Government could not have prevented the invasion.

Lord Carrington said that, even with the benefit of the Franks Report and hindsight, "I do not believe I should have done anything of substantive difference." His decision to resign had been difficult, but right, because of public anger over the invasion.

"The governor of a British territory had been forcibly removed and an alien flag run up over an occupied population. A wide sense of outrage and impotence was understandable," he said.

"It was not a time for self justification or to cling to office. The country is more important than oneself." The country could not have entered the war, he said, "in a welter of recrimination about who was responsible."

He added: "There had also been a highly charged debate in the House of Commons and the press was all too unanimous in calling for my resignation – it would not be too much to say it was baying for blood."

Mrs Margaret Thatcher, the Prime Minister, told the House of Commons that despatching a smaller force of ships to the South Atlantic at an earlier stage would not have prevented the invasion.

She announced acceptance of one of the Franks' report's key recommendations that an official of the Cabinet Office should be made chairman of the Joint Intelligence Committee – Whitehall's top security body – and promised that he would be engaged full time on intelligence matters.

Both Mr Michael Foot, the Labour Leader, and Dr David Owen, deputy leader of the Social Democrats, strongly criticised the Prime Minister for failing to act with greater expedition in following up her call for "contingency plans," which she made when alerted to the possibility of an Argentine invasion by a telegram sent by the British ambassador in Buenos Aires on March 3.

Lord Carrington: 'right not to cling to office'

He argued that the telegram should have been brought to the attention of the Cabinet or at least its defence committee.

Mr Foot renewed his charge that the Franks Report revealed a breakdown of the machinery of collective Cabinet government. He refused to accept the judgment of the Franks Report that no blame could be attached to the Government for Argentina's invasion of the islands.

Dr Owen said it was clear that the British ambassador's report had triggered a response from the Prime Minister. But he was amazed that, after she had made the comment "we must make contingency plans," no contingency plans were made.

Threat of action on Japanese imports despite UK projects

BY JOHN ELLIOT, INDUSTRIAL EDITOR

THE BRITISH Government is continuing to threaten that it will take action against Japanese imports despite announcements during the past few days by five Japanese electronics and automotive companies about possible investments in the UK.

This became clear last night when Mr Patrick Jenkin, the Industry Secretary, returned from a two-week trip to the Far East.

Mr Jenkin acknowledged that the investment plans were partly "political gestures" and described them as only "very small steps in the right direction." The projects would need to be enlarged and improved if they were to change the UK Government's stance. Investment in the UK needed to be expanded and access for UK goods in Japan improved.

His warnings of possible UK retaliatory action – which he refused to describe as "threats" – concentrated on the motor and video tape recorder markets. Either the British motor industry or the Government might decide to change the present voluntary agreements which gave Japanese cars 11 per cent of the UK market. Government action would also be considered in other areas.

Mr Jenkin appears to have returned from his trip more confident than before that Nissan will one day establish a car factory in the UK.

Mr Jenkin was also surprised by the advanced stages reached by some other investment projects announced during his stay in Japan though he was careful not to overstate their significance.

He had not expected Honda to raise the possibility of building a motor cycle factory in the UK nor Mitsubishi to announce it would assemble video tape recorders in Scotland. Sanyo's plans to assemble video tape recorders in Lowestoft, Suffolk, were also more advanced than he had expected. He specially welcomed Hitachi Maxell's plans for a video cassette plant in Telford, near Birmingham.

However, the video tape recorders that might be assembled, by the Sanyo and Mitsubishi projects, even when added to assembly plans already announced by Thorn EMI in partnership with JVC of Japan, would only account for 15 per cent of the total imported into the UK from Japan last year.

Inmos raises £15m more in state aid

BY JASON CRISP IN LONDON AND LOUISE KEHOE IN SAN FRANCISCO

INMOS, the controversial state-backed microchip manufacturer, received a further £15m from the Government yesterday, bringing the total investment in the company to nearly £115m.

The Government has shown considerable resistance to investing further money in Inmos. One condition of the new equity finance is a dilution of the founders' own shareholding.

Also, Dr Richard Petritz, an American and a founder of Inmos, steps down as chairman of the company and is being replaced by a British banker. Dr Petritz remains as managing director and chief executive.

The new chairman is Mr Malcolm Wilcox a director of the Midland Bank who retired last June. Ultimately, Mr Wilcox will be senior to Dr Petritz and his major task will be preparing the company to raise further finance from the private sector.

Inmos is likely to seek about £15m from the private sector towards the end of this year. In 1982 the company lost over £19m in sales of about £14m although most of the loss was caused by start up costs.

Inmos was set up just over four years ago by the Labour Government to give Britain a presence in mass market microchips. Its first plant was set up in Colorado Springs and produces 16K static RAMs (random access memory capable of storing over 16,000 units of information).

A second plant has been built in Newport, Wales, to make a larger memory device. A cash crisis, stemming partly from the weakness of the pound, has delayed the start of volume production in Wales.

The latest injection of £13m from the British Technology Group, which now owns 75 per cent of the voting shares, will be used to start up production in Wales. The company at present employs 200 people in Newport which is expected to increase to 500 by the end of the year.

The announcement of the new Government finance was made to stem growing rumours on both sides of the Atlantic that Inmos was facing a growing cash crisis. Inmos claims the U.S. plant began to be profitable in the last few months of 1982.

The private finance will be needed to step up production at Newport next year, although Inmos says it can continue without it. The company is to produce the 64 K dynamic RAM at Newport where it faces strong and well established competition from Japanese and U.S. semiconducter manufacturers.

Analysts have consistently doubted Inmos's ability to raise private sector finance. Last year BTG's advisors, Lazards said it was too early to raise private capital. Hill Samuel, Inmos's financial advisors, are at present preparing a prospectus to raise the money later this year.

Satellite failures send insurers' losses soaring

BY JOHN MOORE

INSURERS have suffered "disastrous results" through underwriting risks on aerospace and satellite business, the Institute of London Underwriters claimed yesterday in London.

The Institute, representing more than 100 insurance companies operating in London, said in its annual report that losses as a proportion of premiums accepted on this type of business were running at 200 per cent.

In London yesterday brokers and underwriters said that the failure of India's first communications and weather satellite launched in April last year had led to claims of $65m which are still subject to negotiation.

The crash of the European Ariane L 5 rocket last September cost the insurance market more than $20m after its fifth launch.

Most underwriters take the view that while the business is extremely hazardous, the rewards are highly attractive in comparison with other classes of business.

Cruise control restated

FINANCIAL TIMES REPORTERS

MRS Margaret Thatcher yesterday reaffirmed Britain's position on the control of cruise missiles due to be stationed in the UK at the end of this year.

In answer to a question in the House of Commons from a Labour MP, the Prime Minister said the present rules, which have not changed in 30 years, require the U.S. to secure permission to locate bases in the UK. The firing of missiles, however, is solely a U.S. decision.

The Opposition has demanded restoration of the "dual key" system that existed up to 1952, under which missiles could not be fired from Britain without Government agreement.

The deployment of cruise will be one of the subjects for debate at the Social Democratic Party's council meeting in Newcastle this weekend.

There are signs of substantial support for a number of amendments to the SDP's defence policy which call for the postponement or outright halt to the proposed deployment.

Row over building society assurance

By Eric Short

BUILDING SOCIETIES are threatening to reduce their "support" for certain life companies unless they are paid higher rates of commission, according to the British Insurance Brokers Association (BIBA).

This latest salvo in the war of words over life assurance commission payments comes in a letter written by Mr Michael Morris, director general of BIBA, to Mr Richard Weit, secretary general of the Building Societies Association.

Mr Morris repeated his accusation that certain building societies are being paid higher commission by certain life companies on the basis of the amount of business secured.

The problem concerning commissions arose earlier this month after the termination of the official commissions agreement at the end of 1982. Under this agreement – including building societies who traditionally arrange insurances for their customers – all independent intermediaries were paid the same rate of commission.

Since the termination of the agreement, life companies have been going their own way. One consortium, including eight Scottish life companies are paying 15 per cent more to registered insurance brokers, though building societies still only get the basic.

Several other life companies are paying 10 to 15 per cent more to almost all intermediaries including building societies – the higher payment to building societies is usually conditional on society "support" for the life company.

Last week BIBA made a formal protest to Sir Gordon Borrie, director general of Fair Trading

NEW LEGAL DEFINITION OF SCOTCH SOUGHT

Cheap whiskies worry industry

BY GARETH GRIFFITHS

THE SCOTCH whisky industry hopes that a new definition of Scotch will become law soon and squeeze out the very cheap whiskies which are undercutting overseas sales.

The Scotch Whisky Association (SWA) has set up a committee to examine proposed changes in the law, and has secured backing from the Ministry of Agriculture and the Customs and Excise Department. The industry is worried that the production and sale of cheap whisky is damaging the product's long-term reputation.

Scotch, as defined in the 1969 Finance Act, has a minimum maturation period of three years. The act also lays down regulations about distilling procedures. However, it does not mention the alcoholic strength of Scotch whisky.

Scotch whisky companies are worried about the rapid growth in sales of cheap whiskies, some of which are of low quality and alcoholic strength. The lack of an alcoholic strength requirement means that some blended whiskies are made up of a much higher percentage of cheaper grain whisky than is normal in the industry.

A draft European Commission directive on alcoholic strengths recommends that Scotch should contain 40 per cent of alcohol. Some whiskies have been found to contain as little as 32 per cent of alcohol.

The Scotch industry would like to see the 40 per cent requirement become law. It hopes that the change can be effected by switching the legal requirements for Scotch from the Finance Act 1969 to the Food and Drugs Act. An amendment to the Finance Bill from the backbenches is likely to prove the most effective way of doing this.

Scotch whisky looks set for another year of restrained production, Mr Donald Mackinlay, the chairman of the SWA's information committee said yesterday. However, the industry was not sitting around waiting for demand to pick up, he said. It was investing in projects in major markets to stimulate interest in Scotch.

Brick sales show first increase since 1978

BY ANDREW TAYLOR

ANNUAL sales of bricks in Great Britain last year rose for the first time since 1978. Cement sales also rose for the first time since 1979.

The improvement, however, has not been matched by a corresponding increase in general construction activity, according to official statistics published by the Environment Department.

According to the department 3.7bn bricks were delivered in Britain last year – 5.5 per cent more than in 1981 but only three quarters the number of bricks sold in 1978.

Cement deliveries rose 4.4 per cent to 12.7m tonnes in 1982. In 1979 cement deliveries totalled just over 16m tonnes.

Official figures for construction output in 1982 have yet to be published. But these are likely to show, at best, only marginal growth in total output – although individual sectors such as housing have undoubtedly seen an improvement during the past 12 months.

The disparity between static output and a relatively signifacant rise in building material sales reflects in part the nature of government statistics, which exclude a large slice of construction activity carried out by jobbing builders operating in the "black economy" (earnings undeclared to the tax authorities).

In addition, building material manufacturers will have been assisted by do-it-yourself sales. Part of the improvement in cement deliveries last year was due to a sharp increase in sales of bagged cement, which mostly would have gone to small builders and do-it-yourself

Conoco agrees 7% pay deal with drivers

By Our Labour Staff

CONOCO has reached agreement with its 280 oil tanker drivers on a pay deal which raises their basic rate of £113.50 a week by 7 per cent. Drivers have also accepted a new productivity scheme.

The revised, self-financing scheme provides for higher running speeds and improved operating standards in return for a 37½ hour week, an improved pension scheme and a productivity bonus.

Productivity strings attached to the 37½-hour week have prevented voting at BP, Shell and Texaco on 6.4–7 per cent offers. Deals at that level have been reached at Petrofina and Total, but these did not include a shorter week.

Budget plea to cut industry's costs

By Robin Pauley

THE GOVERNMENT should direct its budget measures towards cutting industrial costs and abolishing the "indefensible" tax on jobs when unemployment is rising towards 3.5m, the London Chamber of Commerce and Industry says.

It proposes the abolition of the National Insurance Surcharge at a cost of £1.25bn, concessions on business rates (property taxes) at a cost of £1.1bn, reduced energy prices – particularly a concession on electricity prices to accompany the gas price freeze – at a cost of £200,000, and indexation of tax and other allowances by a 6 per cent increase at a cost of £1.3bn.

The total Exchequer cost of £3.85bn would be offset by £1bn in feedback caused by extra tax revenue generated and a reduction in unemployment benefits payable.

The Chamber says that the likely increase in imports as a consequence of additions to personal disposable income suggests the Government should be cautious about going much further than simply indexing personal tax allowances to allow for inflation since the last budget.

Changes in personal taxation should be devoted to taking as many people out of the tax net as possible and not to reductions in the standard rate.

A curb in the real increase in public spending had been too heavily concentrated on capital expenditure and too little attempt seemed to have been made in the 1983–84 plans to redress the balance.

Labour Party fails to block proposed constituency changes

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

Michael Foot: Facing loss of 30 seats

LEADERS of the Labour Party have failed in their latest legal move to block proposed changes in English parliamentary constituency boundaries which could radically affect the outcome of future elections.

The Court of Appeal yesterday unanimously dismissed with costs an appeal against the High Court's refusal last month to grant an order stopping the Boundary Commission for England submitting to the Home Secretary a report containing its recommended boundary changes.

"We can see no grounds for thinking that the Commission has misunderstood Parliament's instructions or has ignored them," said the Master of the Rolls, Sir John Donaldson.

Labour, faced with electoral experts' calculations that the revised boundaries could cost the party about 30 seats, will petition the House of Lords for leave to appeal against yesterday's ruling.

The appeal judges ordered the Commission not to submit the report in the next seven days, to give time for the petition to be lodged. Once the report has gone to the Home Secretary it is beyond the reach of the courts.

If the Law Lords grant Labour's petition it is unlikely that an appeal would be heard before early March.

The Boundary Commission was taken to court by Mr Michael Foot, the Labour leader, Mr Michael Cooks, Labour's Chief Whip, Mr James Mortimer, the party's general secretary, and Mr David Hughes, the national agent.

They complained that the Commission had not done its duty reasonably in accordance with the Houses of Commons Redistribution of Seats Acts.

One of their main complaints concerned the wide variations in the sizes of electorates in many constituencies. The Commission should have created constituencies with electorates as close as possible to the electoral quote of 65,753, it was argued. That figure is arrived at by dividing the existing number of constituencies into the total electorate.

Sir John Donaldson said that inevitable changes in the size and distribution of the electorate meant that, if there was to be fair representation in Parliament, there had also to be changes in constituency boundaries.

While Parliament attached great importance to each MP representing more or less the same number of electors, that was not the only consideration.

It was important, Sir John said, to realise that the commission had not been told to do an exercise in accountancy – to count heads, divide by a number and then draw a series of lines around each resulting group.

It had been told to engage in a more far-reaching and sophisticated undertaking, involving striking a balance between many factors which could point in different directions.

That called for judgement, not scientific precision, so strict compliance with Parliament's instructions could result in several different answers.

Sir John suggested that it was, perhaps, because it was possible to come up with different answers, all of them sensible, that Parliament had sought the commission's advice.

Sir John, sitting with Lord Justice Slade and Lord Justice Goff, said Labour's objection that the Commission had shut its mind to the possibility of crossing county or London borough boundaries – which the rules under which it operated gave it a discretion to do – was without foundation.

Private sector plan to ease urban decay

BY WILLIAM COCHRANE

INNER City Enterprises (ICE), designed to be a private sector "catalyst" to development of Britain's inner city areas, was launched in London yesterday and a draft prospectus sent to 400 financial institutions.

ICE is the idea of the Financial Institutions Group, created by the then Environment Secretary Mr Michael Heseltine. It followed civil distrubances in inner city areas during the summer of 1981 and had a brief to investigate ways in which the private sector could play a larger role in the alleviation of urban decay.

The new company will have the objective of seeking out in consultation with Government, local authorities, local businessmen, professional firms and developers, viable inner city property development propositions.

Initially it is hoped to raise between £1m and £1.5m by an issue of ordinary shares in ICE and to have a London office open for business by April 1.

The establishment of ICE already has the support of seven major financial institutions: the Committee of London Clearing Bankers; the Building Societies Association; South Yorkshire County Superannuation Fund; Commercial Union Assurance; the Prudential Assurance Company; National Water Council Superannuation Fund; and Reed International Pension Trusts.

The banks, the Prudential, the National Water Council and the Department of the Environment are all represented on the six man non-executive board of ICE. Other members include Mr Wyndham Thomas, general manager of the Peterborough Development corporation as part-time chairman and Mr Frank Chapple, current chairman of the Trades Union Congress.

Mr Thomas emphasised yesterday that "many hundreds of millions of pounds are already going in to new urban projects." He noted that as the pace of urban decay increased it affected property values and then property investment.

Union members vote on Sealink Harwich deal

FINANCIAL TIMES REPORTER

A PEACE formula has been worked out following yesterday's talks between Sealink management and the National Union of Seamen over the future of the Harwich to Hook-of-Holland ferry service.

The NUS said it has recommended that its 450 members at Harwich accept the improved offer on proposals for the service.

The NUS will today begin a secret postal ballot of its members. This will close next Tuesday and the votes will be counted at NUS headquarters in London.

Mr Len Merryweather, Sealink's managing director, said he was delighted that the NUS had decided to arrange a ballot and that they were recommending acceptance of management's proposed conditions of service. These conditions include operating a larger vessel on the Harwich–Hook of Holland route.

Sealink had threatened to close the loss-making service which would have meant the axing of 300 jobs. It then proposed replacing the two vessels operating on the route by one larger ship. This would have meant cutting at least 130 jobs.

Mr Merryweather said he hoped that he would be able to advise his Dutch partners next week that the discussions on withdrawal were off. He added that it was now extremely important that the agreement be reached quickly or the opportunity to acquire the larger vessel would be lost.

Tougher rules for reinsurers

By John Moore, City Correspondent

MEMBER FIRMS of the British Insurance Association are trying to meet new tougher requirements for disclosure imposed by the Department of Trade in the wake of the scandals at Alexander Howden Group and Minet Holdings, two of Britain's largest insurance brokers.

The Department of Trade has written to eight insurance companies and two reinsurance companies which form part of insurance broking groups, telling them "ministers have decided that in addition fuller information should be sought separately from authorised general business insurers which form part of groups of companies which are principally in the insurance broking business."

The companies concerned have been told by the Trade Department that "recent events concerning Alexander Howden Group and Minet Holdings have given rise to widely expressed concern about the reinsurance arrangements of companies as well as of Lloyd's syndicates."

The Department of Trade wants further information to amplify the usual returns which are made by authorised insurers to its officials.

The Department now wants insurance groups whose parent company is a broker to state:

- the name of the reinsurer with which they carry out business and the country of incorporation;
- the reinsurance premiums payable;
- any connection of the reinsurer with the broker-related insurance group;
- a summary of the financial position of the reinsurer with which business is transacted, if that reinsurer is not authorised to carry out business in the UK and if it receives more than 1 per cent of the total reinsurance premiums of the broker-related insurance group.

The new proposals cover Lloyd's syndicates with which reinsurances are arranged.

New attempt to deal with financial fraud

Fraud and its investigation has become a serious problem in Britain. Overseas regulators, concerned about the effectiveness of the authorities, have pushed for a study into the methods of detection and prosecution. John Moore, our City Correspondent, reports on the weaknesses in and possible improvements to the present methods of regulation.

A HIGH-LEVEL meeting last week of Treasury, Bank of England, Department of Trade and other officials to study improvements to the methods of detection and prosecution of financial fraud marks a new attempt to deal with a problem which is daily becoming more serious in the City of London.

Financial fraud has become increasingly international and this study, which has the approval of the Government, has been stimulated by increasing concern in Britain and overseas, particularly in the U.S., about the effectiveness of the authorities in dealing with the matter.

The Council for the Securities Industry, the City's ultimate self regulatory authority, raised the matter last summer with the Department of Trade. The Council was responding to the Department's own review of investor protection and self regulation in the City, prepared in the wake of a series of financial scandals.

In its submission the Council said that "unquestionably, the greatest weakness of the present scheme of regulation lies in what is a governmental responsibility but one that goes wider than the Department of Trade – the failure to deal effectively with commercial and financial frauds."

Anyone who commits an elaborate fraud, said the Council, knows "that he will probably not be prosecuted and that if he is prosecuted it will take years to formulate charges and he will probably escape the main charges. There is little point in improving the finer points of conduct if gross fraud goes unpunished."

The Council urged that there should be an investigation into the conduct of cases of complicated commercial fraud. Procedures in the Department of Trade, the office of the Director of Public Prosecutions, the police and the courts "need to be examined by an enquiry charged with the responsibility of ensuring that suspected miscreants are speedily dealt with."

It also urged that the issue of trial by jury should be considered to discover whether it was an appropriate way of dealing with complicated fraud cases.

Official statistics tend to support the Council's criticisms. In the Commissioner of Police of London's report in 1981, more than a half of those that contested the charges brought against them gained an acquittal.

Overseas regulators, such as the Insurance Superintendent for the State of New York, are also concerned. In a recent letter to all members of Parliament, Mr Albert Lewis, New York's insurance superintendent, urged that criminal prosecution should be made more often against possible fraudsters in Britain. "The alleged hesitancy to prosecute complex insurance frauds must be refuted by criminal prosecution," he said.

There are a number of reasons why fraud and its investigation has become such a nightmare to deal with in Britain.

Would-be fraudsters use more countries than ever before, often remote tax havens and other areas where the affairs of individuals are not subject to public scrutiny. Money can easily be transported out of the UK under the guise of a legitimate business deal, but the money may eventually be misappropriated in an offshore territory where the British authorities have no jurisdiction.

As fraud has become more international so the schemes have become more complex, the significance of which is often lost on the ordinary members of the British public which compose British juries. Counsel for defendants may demonstrate successfully before a jury that there has been misinterpretation in the wording of a contract, or a mistake in an accounting procedure, or argue that what has taken place may be nothing more than market practice which has been misunderstood.

The British authorities are cautious about bringing fraud prosecutions because they are expensive to mount – the cases are financed by the British taxpayer – and there is every likelihood that the fraudster who can afford an expensive counsel may gain an acquittal.

The police, moreover, have been hampered in their inquiries by current legislation which has limited their access to companies' books and prevented their scrutiny of bank accounts. This is likely to be changed by the new police bill going through Parliament

But in the UK the argument about the effectiveness of trial by jury for commercial fraud cases is likely to rage for some time.

It has been suggested that fraud cases should be tried by special juries, comprised of names put forward by business interests in the City or Greater London. Another idea is that cases should be heard by a High Court judge with two assessors, rather than by a jury drawn from the public which might be confused by these complex issues.

Stores will exhibit imported clothes to UK industries

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

THE leading British stores and multiple shops are joining forces with the garment and knitting industries in an attempt to have more British-made clothes on sale.

They are to take part in an exhibition in London, which will be opened by the Princess of Wales, at which they will show a cross-selection of the clothes they buy from abroad and which they would prefer to obtain in the UK.

Among those taking stands at the exhibition on March 16 and 17 are Marks and Spencer, Debenhams, British Home Stores, Littlewoods, Woolworth, C & A, Selfridges and Burtons.

The exhibition, called Better Made in Britain, is sponsored by the National Economic Development Office (NEDO). Sir Basil Feldman, chairman of the NEDO clothing council and the driving force behind the idea, said the plan was not simply to find an alternative to the clothes coming into Britain from the low-cost countries in the Far East.

"If we can bite into the high-cost imports from countries such as France, Italy and the U.S., which are running at £650m a year, we can make a big contribution to the industry.

"If we can save 15 per cent of this bill we could save between 10,000 and 15,000 jobs in Britain."

The exhibition was not a Buy British campaign. "There have been any number of those and they all relied on exhortation. This campaign can work because the retailers have given it a strong thrust."

Clothes will not be the sole items on show, although they will form the most important part of the exhibition. There will also be two stands devoted to fabrics and two to designers. Others will be manned by the Clothing Export Council, the Department of Industry and NEDO itself.

"As a result of the exhibition we hope to create more turnover for British manufacturers and, in consequence, more jobs", Sir Basil said.

NEDO has been increasingly concerned at the way in which imports have risen in recent years. They now account for almost a third of sales in Britain, by value, compared with 12 per cent a decade ago.

Not all these clothes come from the low-cost producers in countries such as Thailand, Indonesia, Turkey or India. A third of them have come from high-cost countries such as West Germany, France and Italy.

One of the hopes is that by turning attention to British suppliers a further rundown of the home industry might be prevented. Over the past four years some 100,000 jobs have been lost and Sir Basil said that every order brought back to Britain represented the possiblitiy of further UK employment.

All the retailers have promised to exhibit a selection of clothes they buy from abroad but which they would prefer to get from UK manufacturers if the price, design, quality and availability were right. the exhibition is aimed solely at the trade and NEDO hopes that some 1,000 producers at the very minimum will attend.

As well as being an attempt to form a closer partnership between the two sides, it is hoped that the exhibiton will allow retailers and manufacturers to discuss futures requirements.

TVR cars to be sold again in the U.S.

By John Griffiths

TVR, the specialist sports car maker based in Blackpool in Lancashire, is re-entering the U.S. market after an absence of two years. Its North American importers have placed orders for 100 cars for delivery by July. TVR expects the U.S. in future to take half its total output.

At the same time the company, which came under new ownership towards the end of last year, is developing a Rover V8-engined version of its Tasmin sports model for sale in the Middle East.

Interest from Middle East dealers arose out of other business connections of TVR's new chairman, Mr Peter Wheeler. Because Ford is on the Arab boycott list, TVR had to find an alternative engine to the Ford units fitted to its cars.

TVR has always tried to avoid the pitfall which has led to financial trouble for some other specialist makers – of raising output at times of peak demand, only to be left with excess capacity and over-employment at times of recession. The company, which has kept employment at 100 per cent throughout the latest downturn, remains profitable, a spokesman said yesterday.

Although TVR also has orders for two cars a week from Singapore, and orders from other overseas markets, it does not intend to raise output beyond its ceiling of eight cars a week. This means that less than 25 per cent of production will be allocated to UK and European Continental markets; but TVR says it would rather see delivery times lengthen than risk passing up more lucrative overseas business.

Britain tries to turn the tide of counterfeit Taiwanese goods

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

NEW MOVES to curb the booming market for counterfeit products – ranging from watches and jeans to brake linings and coffee and costing British industry more than £200m a year – were generally welcomed yesterday by consumer groups including the National Consumer Council.

The moves were announced by the Government in the House of Commons on Monday and include setting up a special unit to track down importers of fake goods from Taiwan.

The moves are considered unlikely to have much immediate effect, however, in preventing the surge in sales of counterfeit products in the UK.

Trading standards officers, for example, would also prefer to see amendments made to the Trade Descriptions Act to tighten up the existing laws against traders who sell fake goods.

Last year more than 300 prosecutions were brought by trading standards officers against producers and retailers of counterfeit goods, but the Institute of Trading Standards Administration acknowledges that this reflects only a small proportion of offenders. "Anything that can be counterfeited will be counterfeited," says Mr David Tierney, chairman of the institute's quality standards committee.

The problem has been growing worse in recent years as both consumers and retailers have shown an increasing willingness to turn a blind eye to the low prices being charged by counterfeiters for fake products.

An ounce of 'Chanel No: 5' perfume, for example, is unlikely to be sold at £1.50 instead of the more usual price of around £10 unless the retailer has very special reasons for selling at a loss. The more likely alternative, however, is that such perfume is one of the many reproduction fragrences that have flooded the market in the past year or so.

The major growth area in counterfeiting, however, has been in video cassette tapes. The British Videogram Association estimates that of the 8.7m. video tapes on the market, about 5.7m are pirate copies. These tapes, costing about £10 instead of the more usual £35, are losing the industry more than £110m a year and the Customs and Excise a substantial amount of lost VAT.

"The trouble with videos is that they are so easy to copy," said Mr Tierney.

Where trading standards officers have been more successful is with action against fakers of famous branded goods in the sportswear and jeans markets.

Counterfeiters of sweatshirts with the name of Levi, Adidas, or Fruit of the Loom were fined a total of £20,000 in November of 1981 when Manchester trading standards staff broke up their illegal operation. For about 18 months, some 90,000 replica heat transfers of the famous trademarks had been made and applied to sweatshirts produced locally.

Another counterfeit operation became established in 1980 when coffee prices rose sharply. The faker, who had already established a reputation in the grocery trade for obtaining branded goods at low prices, started selling what he claimed was a top quality brand of coffee in damaged tins.

In fact, the counterfeiter was simply buying cheap coffee, ripping the labels off, and denting the tins himself. This netted him about £800 profit a week. Once he started printing his own labels to replace those he took off the jars, his weekly profit soared to more than £3,500 a week. He was eventually tracked down by private investigators hired by the company whose product was being counterfeited.

Another problem has been counterfeited car components. Fake car brake cylinders have been found on sale in the UK allegedly bearing the trademark of a famous UK component manufacturer. The cylinders were actually made in Italy, however, and had inferior rubber seals which could prove dangerous.

The car components industry is also concerned at the damage such fakes can do to exports. Taiwanese-made counterfeit components were dumped onto the Nigerian market, with the result that the UK-owned company which made components there saw its sales plummet from £250,000 a month to a mere £1,500. Eventually legal action, costing more than £100,000, was taken by the company in Nigeria and sales have recovered. It seems likely, however, that the counterfeiters simply moved on to another country.

The National Consumer Council is particularly concerned at the safety standards of fake products. Thousands of electrical plugs made in the Far East have been imported into the UK to masquerade as British-made plugs. They are not made to the same safety standards as UK-produced plugs, however, and are potentially lethal.

Call to halt Sizewell safety evidence

FINANCIAL TIMES REPORTER

AN ATTEMPT was made yesterday to have evidence of power station safety adjourned until the Nuclear Installations Inspectorate (NII) had licensed design work for a proposed development at Sizewell, on the east coast of England.

Friends of the Earth, the environmental group which is opposing plans by the Central Electricity Generating Board (CEGB) to build a U.S. style pressurised water reactor (PWR) at Sizewell, said the CEGB's safety case for Sizewell was still evolving, and it was impossible for objectors to study and draw conclusions from plans which were incomplete.

Mr John Howell, for the group, quoted statements made in parliament by successive energy ministers and to the House of Commons select committee on Energy, and suggested they represented a commitment that there could be no inquiry until there was a full safety clearance.

Lord Silsoe QC, for the CEGB said it was inevitable at this stage of the plan that some safety details would be outstanding.

Although safety issues remained unresolved there were no fundamental reservations in the minds of the NII, he said. A large amount of material existed for those seeking to challenge the CEGB's safety case, and there would be no purpose in awaiting the grant of a site licence. If the adjournment was granted it would put an indefinite freeze on the safety issue at the inquiry.

Sir Frank Layfield, the inquiry's inspector, said he would study Mr Howell's case before making a decision.

Employers.
Test your powers of hypocrisy.

1. Do you think it's a good idea to give school leavers training and practical experience? ☐ YES ☐ NO

2. Do you think it's a good idea for <u>you</u> to give school leavers training and practical experience? ☐ YES ☐ NO

3. Would you be only too happy to do so, if only your company was bigger? ☐ YES ☐ NO

4. Or if you had more time? ☐ YES ☐ NO

5. Have you ever moaned about the quality of young people who apply for a job? ☐ YES ☐ NO

6. Wished that the government would do something about it? ☐ YES ☐ NO

7. And are you willing to help now that the government have set up the new Youth Training Scheme? ☐ YES ☐ NO

8. Or would you rather go on moaning? ☐ YES ☐ NO

9. Are you hoping somebody else will make the effort? ☐ YES ☐ NO

10. Do you have some other excuse, not listed above, for not helping the new Youth Training Scheme? ☐ YES ☐ NO

11. Would you accept the same excuse from one of your competitors? ☐ YES ☐ NO

12. Beginning to wish you'd turned over the page? ☐ YES ☐ NO

Virtually all employers can see the sense in training school-leavers for the world of work. And, of course, the Germans and the Japanese have been doing it for many years.

It was high time this country had a proper and permanent scheme for training its school-leavers.

Now it has: under the new Youth Training Scheme all 16 year olds leaving school qualify for the opportunity of a year of genuine training and practical experience.

But the new scheme will only work if employers like you help to make it work.

We're asking you to give trainees twelve months of practical experience including at least 13 weeks off-the-job training.

We will provide grants for the trainees you take on. (Companies that normally take on school-leavers each year get an extra incentive. When you take on more than your usual quota, we will provide a grant to cover both your usual quota and the extra trainees.)

Help us and you'll be helping yourself. You'll be building a workforce for the future – a body of young people with the basic work skills needed by every business or industry.

Help us and you'll be helping school-leavers to realise their potential. You'll be giving them a real chance in a tough world.

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THE ARTS

The Count of Luxembourg/Sadler's Wells

David Murray

This Lehar revival inaugurates the first brave season of the New Sadler's Wells Opera, generously assisted by the National Westminster Bank (whose virtues are trumpeted in the middle of Act 1). Monday night was stronger on amiability and willingness than on effervescence, perhaps because the slender confection which served Lehar as plot should be embedded—even buried—in any amount of dance. The Wells offers a modest amount, modestly executed; no doubt the company, or at least its younger members, will find their feet as the season develops. At the moment the Mardi Gras seems to be populated by people who weren't invited anywhere else.

The general tone seems faithful to the genre, less like mere British panto than many a Viennese operetta staged hereabout. Peter Rise has contrived rather handsome sets to a suitable scale; the costumes seem to have been assembled with desperate resource. Nigel Douglas's new version of the book avoids longueurs, though it is delivered with varying degrees of conviction. Eric Maschwitz's English lyrics sit well on the notes and are generally crisp; the last line of one chorus—"That fat and famous Tuesday, MARDI GRAS!"—sounded more peculiar at every repetition. Barry Wordsworth drew a bright performance of the score from his orchestra, more infectious in triple-time than in duple: two or three of the non-waltz numbers wanted a more purposeful kick. Everybody swings happily into the most familiar tunes.

The production by Tom Hawkes stays carefully within well-tested conventions — no new tricks that might unsettle his principals, none of whom looks altogether confident with the stylish larking-about required to titivate the story. Act 3 is helpfully invaded by Joan Davies in full fig, exuding relish and making even Lawrence Richard's gamely silly Grand Duke Basil seem a pale loiterer. Harry Nicoll has sprightly moments, less the insouciant Bohemian than a twitching Andrew Aguecheek; a less dour and daunting soubrette-mistress than Vivian Tierney (penetrating voice, very square phrasing) would ease his way.

I should not count Neil Jenkins' Count among the natural charmers of the operatta stage — he relies chiefly upon eye-rolling and a skewed grin that suggests private efforts to dislodge a bit of trapped celery — but he achieves a good lyrical ring when not too heartily accompanied. It is not an expansive sound. The heroine is Marilyn Hill Smith, singing with assured elegance in music that suits her silvery soprano to a T. She cuts an attractive figure and moves decorously, letting a wry, reserved smile do duty for any real impersonation; the lady in question is surely roguish and volatile if she is anything — which perhaps she isn't. Psychological verisimilitude is not, of course, the aim of the exercise. Anyhow, the audience seemed well enough satisfied, and likely to prove loyal to the whole endeavour.

Cecile Ousset/Elizabeth Hall

Andrew Clements

Miss Ousset's London appearances have been chronicled on this page quite assiduously over the past six years or so. Now that her status as a recording artist and as a concert performer in this country and on the Continent has become commensurate with her gifts, her concerts have the air of authentic "events." The Elizabeth Hall was packed on Monday evening, and her recital was consistently greeted with loud and enthusiastic applause.

The programme mix was a characteristic one. Bethoven, the 32 variations in C minor, to begin. Liszt's Three Concert Studies and some Chopin in the first half; Fauré and Debussy in the second. The formidable technique was obvious from the opening of the Beethoven, the pairs of matching variations thrown off with effortless panache, the final appearance of the theme prepared with exquisite dramatic timing. Yet for the rest of the evening the excitement, the thrill of knife-edge virtuosity that one remembers with such pleasure from previous recitals was all but lacking.

There were fine moments in the Liszt studies certainly, a ravishing veiled tone for the first theme in "Un sospiro" and gossamer-like right hand for "La Leggierezza" the most memorable of them. But the climaxes of "Il Lamento" were awkwardly handled and the conviction that great Liszt playing ought to carry was absent, as were any striking ideas on what to do with the music and any attempt to colour it in a meaningful way.

There was a lack of poetic core too in the D flat nocturne of Chopin, a more serious want of dramatic intensity in the C sharp minor scherzo. Played with such ferocious accuracy, the scherzo should have been hugely exciting; it wasn't, and Miss Ousset's less-than-sure grasp of the shape of paragraphs was to blame. Fauré's D flat nocturne and F minor impromptu were cultivated and texturally acute without revealing any special sympathy or insight.

The Debussy group included a crisply articulated "Jardins sous la pluie," dispatched with the *élan* that one remembers as this pianist's particular attraction; the same spirit pervaded her single encore, the Debussy study "Pour les degrés chromatiques." But *L'Isle joyeuse* was meant as the overwhelming climax; it failed to be that for its textures were lumpish, its bravura sometimes smudged. Every pianist is entitled to an off-day, of course, but as the publicity machine rolls for Miss Ousset, one hopes that such events are not buried under a welter of enthusiasm, for she is too good an artist to be encouraged to settle for the second rate.

Hamilton's Fourth/Usher Hall, Edinburgh

Martin Dreyer

Suddenly, the Romantic Symphony is back. Not that the neo-romantics are a new phenomenon: they have been jostling for attention for 10 years or more. But Iain Hamilton's Fourth Symphony, given for the first time on Friday night by the Scottish National Orchestra under Sir Alexander Gibson, takes tonal sensuality several decades further back than that. Until last July, when Hamilton's Third was heard at the Proms, he had not produced a symphony since 1951. In between came a 20-year sojourn in New York which included a protracted dalliance with serialism, followed by a handful of operas. It is those theatrical instincts that have successfully surfaced in the new work.

Hamilton underlines his rediscovered alliance to tradition (reflected symbolically in his return to Britain a year ago) by proclaiming the Symphony to be in B.

The orchestration of the finale leans undeniably on Brahms. A funeral march in B minor opens with low brass and an insistent drum beat, soon joined by searing strings, punctuated by great organ chords from everyone else. A comic *furioso* section brings light relief.

Can such a piece nearly 50 minutes long live alongside the symphonies of, say, Maxwell Davies? Well, yes. As read by the SNO this is confident, muscular and, dare I say, dramatically attractive tone painting. Conductor and players alike revelled in its hygienic sensuality. There *is* a certain comfort in its conservatism, despite an over-reliance on trumpet and trombone to achieve intensity. But themes are inter-related; all fit a grand design. Let us hope that next time round Hamilton will combine his flair for beauty with a tighter intellectual rigour.

Swedish Radio SO/Festival Hall

Max Loppert

The first British tour of the Swedish Radio Symphony is being led not by the regular conductor of the orchestra, Herbert Blomstedt, but by Yevgeny Svetlanov, a regular guest. Monday night's London visit, sponsored by Capital Radio, showed off a crisply drilled ensemble of less than first-rate quality. There was a lack in the playing of corporate character — that quality, so hard to describe in words, which in the performances of great orchestras can be sensed distinct from (but at the same time an essential part of) accurate and spirited execution.

The major work of the concert, placed in the second half, was the New World Symphony; and in it one felt most clearly the absence of warmth and colour in the strings, of roundness in the wind and brass. Svetlanov did not noticeably encourage the players to emulate these necessary Dvorak characteristics, but settled instead for a reading that did obvious things. And did them well enough, for the most part, though a persistent tendency of the trumpets and trombones to break noisily through the texture made for some strident climaxes. There was little that was fresh or individual in this performance; it moved along a predictable route to a predictable end.

"Predictable" is the last word one would now choose for Paul Tortelier's playing of the Elgar Cello Concerto — much of the scherzo passagework (including those arduous upward-sixth leaps into harmonics) was a rough sketch of the notes, and even in slow cantilena unpredictable splays and splashes were apt to obtrude without warning. And yet Tortelier's Elgar remains as remarkable as ever — firm of emotional focus, never misty-eyed, even rather acerbic in its dignity. The accompaniment was courteous, not sufficiently practised in the dynamic variety by which this w o n d e r f u l interpretation deserves to be matched. As calling card the orchestra had brought Hilding Rosenberg's suite from his ballet *Orpheus in Town* (1938)—expertly crafted theatre music, bright, colourful, and wholly derivative.

Wah!/Ace Brixton

Antony Thorncroft

As one door closes, another . . . The Fair Deal opened last year in Brixton as a concert hall at no little cost and with considerable publicity and soon quietly gave up. A hundred yards down the road the Ace began to put on shows in a tentative manner at around the same time and now looks quite healthy.

In the main it goes for young minorities — punks, blacks, etc. — and the bands that perform there would certainly never be allowed in the Albert Hall. It is a ghetto for disaffected rather than affected youth and the burly black bouncers at the door and dark drug laden interior create an intense atmosphere, too down-beat to be threatening.

Wah!, who played there on Thursday, were ideal for the venue. A Liverpool band, which cannot quite make up its mind whether to go for the young unemployed or their schoolkid siblings, Wah! currently has a big hit with "The story of the blues" but not much else. Even with three girl backing singers the sound was thin but muddy and singer, and writer, Pete Wylie seems to want to abuse everything in sight.

Introducing "The year of decision," he said "the choice is between us and Haircut One Hundred," not much of a choice with the latter band having disbanded. What I assume he meant was that Wah! offers the view from the dole queue while Haircut One Hundred was into escapist fun. Wylie, well-voiced and hatted, seems torn between the attractions of success and the loss this would involve in his street credibility. So he sang the hit twice in quick succession, but did not bother with the called-for encore. The audience shuffled out quietly, not seeming to care.

South Bank Swing Session

The next South Bank Swing Session is on Saturday, February 5 at the Purcell Room (7.30) and will feature pianist Eddie Thompson with bass and drums accompaniment plus singer Rosemary Squires. Tickets: £3.50 and £4.

Ben Cross in 'The Citadel.'

Michelle Newall in 'The Cleopatras.'

Television/Chris Dunkley

Playing it safe

The balance within BBC programmes seems to be in danger of tilting once again towards the trivial. That is not to say that everything put out by the Corporation is getting worse: for a long time there has been a large body of well-made material which has carried on from year to year largely unchanged. It is mostly middlebrow work appealing to moderate sized audiences and there are few signs of deterioration here.

Week in, week out the BBC's sports coverage, educational programmes, single plays, children's programmes, and situation comedies maintain a mostly admirable standard. More often than not they are slightly or even considerably above the level of similar offerings from ITV. On the other hand in news, current affairs and documentaries, ITV has slowly whittled away the differences and although the BBC output—especially in daily current affairs (ITV has nothing to compare with *Newsnight*)—is greater, it would take a Solomon at this particular point to decide between the two, judged across the whole spectrum of factual programming.

Both organisations have recently presented unusually good examples of investigative journalism. In addition to *Nationwide's* widely reported revelations about leukaemia among those present at early nuclear weapons tests, there has been Chris Bryer's *World In Action* programme about the shenanigans behind the American determination to sell PWR nuclear power stations to anybody who will buy now that their fellow Americans won't. No doubt some of those involved will consider that being confronted without any warning before the cameras with documentary evidence "leaked" from confidential files in a merchant bank is unfair. But given that the treatment of the taxpayer in these matters is so often much more unfair, one can only be grateful to television for helping right the balance by however little.

Tom Mangold's superb if depressing two-part report for *Panorama* on the anti-arthritis drug Opren—and more significantly its hyping via the public and the medical profession—was even more eye-opening. According to Delane, the greatest editor The Times ever had, "The Press lives by disclosures" and Mangold is one of the few reporters who have not only carried that principle over into television but dedicated all their efforts to it. We *need* to see the doctors off for their drug company freebies aboard the Orient Express to begin to understand the pressures at work behind *our* prescriptions.

Where drama serials are concerned, a category which I regard as crucially important to the standing of any major broadcasting organisation, the BBC remains unequalled as a producer of period adaptations, but has been overtaken by ITV in the area of contemporary material. Not only has the BBC never managed anything to match *Coronation Street* (which proves, each time I go back to check, to be maintaining an amazingly high standard, as with the recent episodes concerning Annie Walker's staff

> ❛The absence of excellence on one side and the presence of trivia on the other suggest that the balance is swinging the wrong way.❜

problems) but ITV has also made a big effort in the last few years to produce work such as *Minder*, *Muck and Brass* and *Harry's Game* which are determinedly contemporary. True the BBC made *Boys From the Blackstuff*, but one swallow. . . .

Slap in the centre of that reliable middle ground of programmes the BBC is now offering *The Citadel* in 10 55-minute episodes. Based, like *Dr Finlay's Casebook*, on a novel by A. J. Cronin, written in 1937, it offers good safe "human drama." We can all applaud the actions of the angry young doctor when he helps to blow up the faulty sewer which is causing typhoid, because the Health Service hasn't arrived yet and good guy Ben Cross from "Chariots of Fire" is playing the part. It is a good yarn, well told.

But how interesting that the high-rated format of drama serial concentrates on social problems which lie safely in the past whereas the scandals and outrages which are with us now are handled in the much less popular documentary or current affairs formats. This is not to imply that *Panorama* should abandon its efforts; merely to suggest that drama can often convey truths vividly and quickly, quite possibly to larger audiences.

In William Trevor's *The Ballroom of Romance*, repeated on BBC1 on Saturday, director Pat O'Connor may have been dealing with the Ireland of 30 years ago, but even with the entire action shot in a remote barn-like dance hall at a poignantly awful Saturday night hop, there was still more conveyed about the working lives of the characters beyond the walls than many documentary makers could impart in a whole wide-ranging series.

The other side of the same coin is BBC1's *Vox Pop*, yet another effort to exploit the increasingly suspect "verité" technique in which no reporter appears and not even a voice is heard from the producers, not in Episode 1 anyway. We simply listen to the ostensibly unfettered chatter of the populace, in this case the people of Darwen, Lancashire.

Until we are told the shooting ratio on this programme, which is to say the proportion of film discarded compared to film used to achieve the desired result, we have no way of knowing what credence to give it and can only assume it is telling us the truth and nothing but the truth (though scarcely the whole truth) about the preconceptions and prejudices of the producers regarding supposed class attitudes in Britain.

The BBC's greatest strength is in its long running series such as *Sportsnight* and *Horizon* which form the armature supporting all the other material and happily there is little evidence of any weakening here. They remain excellent examples of their sort.

However, the broad picture of BBC output is affected, perhaps disproportionately, but that does not make the effect any less real, by the material in either side of this central structure: on the one hand the programmes which are primarily devoted to the maximisation of audiences, and on the other hand programmes which show the rest of the world what the best in broadcasting looks like.

The latter category is of supreme importance. By occupying and thus identifying the pinnacle of broadcasting excellence, programmes of this sort establish the position and the standing of everything else. When nothing is there, the definition of excellence becomes uncertain and we may begin to over-estimate, or just as bad under-estimate, the merely good. That, in my view, is now the position.

The BBC is currently screening nothing capable of sustaining, let alone raising, the standards set by *Civilisation*, *America*, *Elizabeth R*, *Life On Earth*, *The Voyage Of Charles Darwin* or even *Private Schultz*. It is on the other hand filling much of BBC2's Top 10 with the most mindless of all "sports," *World Darts*, and it has launched its *Breakfast Time* show upon a sea of inconsequential froth. Week one has confirmed that chat and showbusiness are the staples, not news and current affairs.

As for *The Cleopatras*, the BBC's latest historical drama extravaganza, Part 1 suggests that they have actually managed to produce a series which will make *The Borgias* look good. It is still not clear whether the dialogue is intentionally funny or not but I fear it is supposed to be serious. The whole thing looks like the team from *Not The Nine O'clock News* impersonating Wilson, Keppell and Betty rehearsing an Egyptian skit on a wet Monday morning before anyone is in the mood.

It may not be the BBC's fault that the last great television event, *Brideshead*, came from ITV; that Channel 4 has just given us a vividly dramatic *Rigoletto* benefiting both from Jonathan Miller's inspired up-dating and John Michael Philips' adroit television direction; nor that ITV has provided three fascinating programmes by David Gill and Kevin Brownlow about *The Unknown Chaplin*.

But all that and more from ITV does add to the impression of a BBC which is more interested these days in safety and ratings than in taking risks for the sake of excellence. The absence of excellence on one side and the presence of very noticeable trivia on the other suggest that the balance is swinging the wrong way.

What will have been the point in all those battles over the licence fee if the BBC simply becomes the most competitive "commercial" broadcaster in Britain?

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

January 21–27

Theatre

CHICAGO

The Comedy of Errors (Goodman): With Adriana played by world champion baton twirler Sophie Schwab and Luciana by Gina Leishman who has mastered seven musical instruments, this Shakespeare could be nothing but a circus, especially surrounded by the Flying Karamazov Brothers and street musicians and jugglers from across America in Robert Woodruff's lively production. (443 3800)

Duet for One (North Light Rep, 2300 Green Bay, Evanston): Tom Kempinski's slightly veiled story of the painful and frustrating accommodation of a concert artist to growing debility stars Eva Marie Saint. (869 7278)

E. R. (Organic, 3319 N. Clark): This hit-and-miss local company has a long-running success with an earnest parody of hospital-based melodramas, starring Gary Houston as an ambitious young doctor, Shuko Akune as the receptionist and Lily Monkus as the authoritarian nurse. (327 5588)

Shear Madness (Mayfair at the Blackstone Hotel): Bruce Jordan and Marilyn Abrams recreating the roles they originated in the hit run of this comedy mystery in Boston and Philadelphia. (266 0252)

The Beckett Project (Goodman): Alan Schneider directs the American premiere of Samuel Beckett's Eh, Joe as part of a collection of Beckett one-acts performed by David Warrilow and Rick Cluchey. (443 3800)

NEW YORK

Amadeus (Broadhurst): Frank Langella stars as Salieri in the award-bedecked and elegant National Theatre production of Mozart's life. (247 0472)

Agnes of God (Music Box): The fiery trio of Elizabeth Ashley, Geraldine Page and Amanda Plummer enliven a somewhat over-written clash of ideologies. (246 4636)

Joseph and the Amazing Technicolor Dreamcoat (Royale): The first work by Andrew Lloyd-Webber and Tim Rice in a lively and imaginative rendition directed by Tony Tanner. (245 5760)

Crimes of the Heart (Golden): Despite its genial humour, outlandish events and Pulitzer Prize, Beth Henley's story of three Mississippi sisters boils down to a sitcom sensibility full of gags, good acting and frequent phone interruptions. (246 6740)

Present Laughter (Circle in the Square): George C. Scott proves that with the right wardrobe of dressing gowns, he can capture the essence of impresario Garry Essendine, including directing an excellent supporting cast. (581 0720)

Geniuses (Fairbanks): Author Jonathan Reynolds takes advantage of a stint watching Francis Ford Coppola shooting Apocalypse Now to parody the American film industry in this riotous re-creation of a jungle film set awaiting the end of a seasonal typhoon. (432 W. 42nd). (279 4200)

Nine (46th St): Two dozen women surround Raul Julia in this Tony-award winning musical version of the Fellini film 8-½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246)

Good (Booth): How Halder became a Nazi, in this London import starring Alan Howard and directed by Howard Davies, is eloquent, stylish in set and overlapping scenes, but ultimately convincing for the rather undramatic and prosaic reason that Halder was sought after and treated well. No moral tale there. (239 6200)

Plenty (Plymouth): Moving on to Broadway from its Public Theatre opening, Kate Nelligan stars again in the New York production of the play written and directed by David Hare about Europe's transition from war to peace over the last generation. (239 6200)

Cats (Winter Garden): Director Trevor Nunn, fresh from the Broadway success of Nicholas Nickleby, has his imaginative and frisky cats slink, slide and dance their way across a transfigured stage in this lavish re-creation of the London hit. (239 6262)

WASHINGTON

Toyer (Eisenhower, Kennedy Center): Tony Richardson directs Kathleen Turner and Brad Davis in Gardner McKay's new tense and twisted murder mystery set on a California tennis court (254 3670)

Show Boat (Opera House, Kennedy Center): A cast of 50 from the Houston Opera company led by Donald O'Connor revives the Kern-Hammerstein musical of 1927 with its brilliant score including songs Ol' Man River, Bill and Make Believe. (254 3770)

The Imaginary Invalid (Kreeger): The Arena Stage does its own production of the Molière masterpiece. (488 3300)

LONDON

The Real Thing (Strand): Fascinating, enjoyable new Tom Stoppard play which examines a playwright's attitudes to work, music and love in characteristically well-written, complex vein. A tone of serious levity is well struck in Peter Wood's production and the performances of Roger Rees and Felicity Kendal. (836 2660/4143).

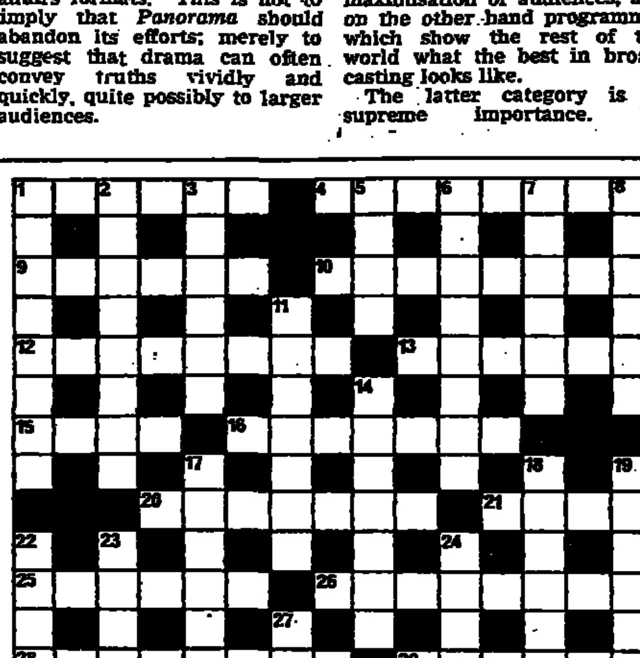
Other Places (Cottesloe): Triple bill of Harold Pinter plays superbly directed by Peter Hall. Pinter breaks new ground in A Kind of Alaska, Judi Dench outstanding as a woman coming out of coma after 29 years and accelerating from small girl to adult maturity in half an hour. (928 2252).

Noises Off (Savoy): Michael Frayn's backstage comedy is still the funniest play in London, owing small debts to Rattigan's Harlequinade and Pirandello's Six Characters. Brilliantly directed by Michael Blakemore. (836 8888)

Trafford Tanzi (Mermaid): Exuberant play that sets the battle of the sexes in a wrestling ring. This fringe success has re-opened the embattled City of London venue. (236 5568)

The Pirates of Penzance (Drury Lane): Riotously vulgar Broadway import that sits Gilbert and Sullivan on a whoopee cushion. One or two brilliant set pieces, but is all this strenuously arthritic camping about really preferable to the prim stasis of the D'Oyly Carte tradition? (836 8108)

F.T. CROSSWORD PUZZLE NO. 5,081



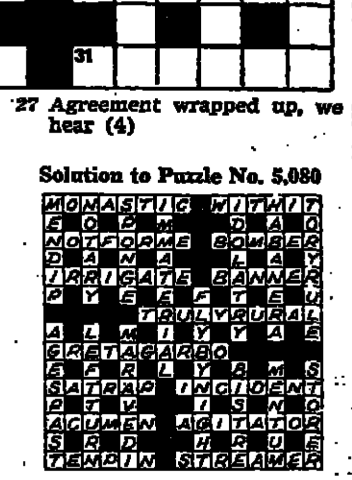
ACROSS

1 Lots of blockheads losing head (6)
4 Disturbingly, leader of nuisances roves in the neighbourhood (8)
9 Man, in general, comes back to add a gloss (6)
10 Trick worn-out penitent (8)
12 Praise eg soul, ie that's confused (8)
13 Command man to come in first (6)
15 Be inclined to care (4)
16 Girl can return to the register (7)
20 Fry, with life about an insect (7)
21 Prison commotion (4)
25 Concealed tale altered for book (6)
26 Bay jacket? (8)
28 Bird holds in the urge to gossip (8)
29 Tick off beater being beaten (6)
30 Puts back in after being crossed? (2-6)
31 Artful about the mark being hard (6)

DOWN

1 Produced after shell shock? (8)
2 Telephone off at the last minute? (8)
3 Go in French grey mixture (6)
5 Light producer in fine onyx-marble (4)
6 Clubs often are secured (2, 3, 3)
7 Twist could be accompanied by music (6)
8 Rest of seats arranged about one (6)
11 Liturgical book with afterthought on change (7)
14 Impression that could be floated! (7)
17 Can the Pole come up in a stake for the highest point? (8)
18 Here we have to be still (8)
19 There's scope in Roy's confusion given to House for fruit! (8)
22 You could get rasher by using it (6)
23 A blow to bring down the tents (6)
24 Notice to publish the arrival (6)
27 Agreement wrapped up, we hear (4)

Solution to Puzzle No. 5,080



مكبر عن الأصل

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Wednesday January 26 1983

Markets will be markets

THE RENEWED nervousness of the markets after the breakdown of the Opec talks on Sunday is the most natural thing in the world, for dealers are now groping their way forward in a thick fog of uncertainty. There is now a clear possibility of a major break in the oil price, which has negative implications for sterling—though these are easily overstated—and raises disturbing questions about the safety of energy-secured loans in such countries as Mexico, Nigeria, Venezuela and even such a stable country as Canada. Indeed, some fall in the price is now necessary to fulfil the Saudi hope that a weak market will frighten Opec back into harmony.

Compounded

This is only the beginning of the story, because oil risks are now compounded with *political risks*. The West German elections in March, previously thought a walkover for Chancellor Kohl, now look wide open, and little is known outside Germany of his rival, Dr Vogel, except that he combines rather left-wing convictions on foreign policy, at least, with a reputed iron nerve—not a wholly comforting combination. This opinion-poll upset in Germany naturally casts some doubt on the electoral outlook in Britain, and Mr Peter Shore, by slightly raising his devaluation bid, has ensured that any doubts have the maximum market impact.

Finally, official policy in the U.S., still the dominant force in the OECD economies and especially in the financial markets, is more than ever an enigma. Mr Donald Regan, the Treasury Secretary, who seems to be adopting vague hints in place of policies, talks of a commitment to stimulate the economy, but does not say how. Even if his intentions were known, their execution might be blocked by Congress, which shows less and less respect for President Reagan's wishes.

In face of so many conflicting doubts, the markets have been dithering nervously rather than stampeding, which at least offers a breathing space for some calm thought. One thought which is already beginning to be heard is that sterling is not nearly as vulnerable to the oil price as many have supposed: indeed, the devaluation which has already occurred discounts *a good deal of what is likely*. It means that the sterling price of oil has actually risen in the past three months, which is good for government revenue—and the revenue response has in any case rather a long time lag. Meanwhile the non-oil trade balance could quite quickly move to offset the loss in oil export earnings; indeed, some *forecasts suggest that the current account will improve quite strongly*.

The political difficulties, on the other hand, are not so easily wished away: for if Labour has even an outside chance of forming the next government, as the German experience suggests it could have, the markets will only be happy to trade sterling *at a value somewhat lower than* seems likely in a second Thatcher term. This insurance premium will be collected until the uncertainty is resolved.

In all these circumstances Ministers are right to keep cool, and would also be wise, if it is possible, to keep quiet. There is little to be done, either through intervention or through interest rates, to check any real swing in market sentiment, and any question about the rate has undertones of have-you-stopped-beating-your-wife. If the Government deplores the depreciation, it looks helpless; if it accentuates the positive, as ministers did last week, there is a risk that markets will conclude that *there is no upside risk in going* short of sterling.

Politics

So much for the effect of politics on markets; there remains the possible effect of markets on politics, which could be strong. The uncertainties affect ministers as well as dealers, and unless the whole situation is resolved quite improbably soon, it argues for a more cautious Budget and an earlier election than the Prime Minister might otherwise have wished.

Mubarak looks to Washington

AFTER NEARLY five years in the Arab wilderness, Egypt is steadily mending its fences with both moderate and some hitherto radical Arab regimes. It is a developing trend which will give additional significance to the talks in Washington this week between President Reagan and President Hosni Mubarak of Egypt.

Since his accession to power in October 1981, following the *assassination of President* Anwar Sadat, Mr Mubarak has devoted most of his energies to domestic affairs. He has been securing his own power base within the country while remaining generally loyal to the main foreign policy lines established by his predecessor. Mr Mubarak refused to be panicked by last year's invasion of Lebanon by Israel and despite some hostility within the country limited his reaction to the withdrawal of Egypt's ambassador. The peace with Israel remains in force, albeit with little official enthusiasm.

Yet despite Mr Mubarak's relative passivity in foreign affairs he is nonetheless being offered the chance to resume at least partially the Arab leadership role claimed by President Gamal Abdel Nasser and President Sadat. Iraq, which orchestrated the Arab boycott of Egypt after President Sadat's visit to Jerusalem, and the Palestine Liberation Organisation under Mr Yassir Arafat, are both ready to restore normal relations. There is little doubt that the six members of the Gulf Co-operation Council, headed by Saudi Arabia, would follow suit and are already extending trade, financial and diplomatic co-operation.

Moderator

As a leading Arab moderate with direct links to Israel, Egypt is uniquely placed to act as bridge and moderator in the search for a comprehensive Middle East peace. Yet its capacity to develop that role fully is circumscribed by its international failure to demonstrate that peace with Israel offers anything more than strictly bi-lateral benefits. U.S. diplomats repeatedly warned President Jimmy Carter of the dangers facing Mr Sadat if he was deemed to have deserted the other Arab nations. Mr Mubarak is no less aware that for him to be successful in bringing Arab countries to the negotiating table with Israel, Egypt will first need to point to some indication of Israeli flexibility.

During the talks in Washington this week Mr Mubarak will doubtless be asking Mr Reagan to try to secure the sort of pledge Mr Carter failed to win from the Israelis—such as a freeze on new Jewish settlements in the West Bank. The pyschological impact of such an American success would not only enhance Mr Mubarak's standing domestically and within the Middle East, but could also greatly strengthen the resolve of King Hussein of Jordan and the PLO to explore further the opportunities presented by *President Reagan's September 1* peace proposals.

Mr Reagan will also be aware of the increasingly important role which Egypt is playing in restraining the alarming ambitions of Iran's religious leadership. Cairo is now a major arms supplier to Iraq and the presence of Egyptian advisers in Baghdad has improved the capability of the Iraqi air force.

U.S. aid

Of course, there is a continuing price which Egypt expects Washington to pay for this coincidence of interests. U.S. aid to Cairo, civil and military, is running at over \$2bn (£1.3bn) a year and with oil prices softening the Egyptian balance of payments can expect to deteriorate during 1983. Mr Mubarak would like fewer strings attached to the annual aid package and is seeking a further \$400m in military supplies.

One of Mr Sadat's errors, with which the Americans and Mr Mubarak are now hoist, was to equate peace with prosperity. Successive wars with Israel were blamed for Egypt's backward economy. After the peace treaty the Egyptian masses were promised a standard of living which is as distant today as it was in 1978—a fact which is the main source of Mr Mubarak's vulnerability.

Mr Mubarak's presidency has now run 15 months and Mr Reagan's peace initiative five months. There is a mutual awareness that the clock is running and that the opportunities which seemed to be appearing in the autumn are again receding.

The failure of the Reagan initiative would represent a serious long-term blow to U.S.-Egyptian relations, and may eventually place under intolerable strain the treaty with Israel. There are few constants in Middle East politics, beyond the instinct for survival among individual leaders. And whatever Mr Mubarak's personal inclinations at the moment, it is worth recalling that Egypt has historically proved adept at jumping on and off the superpower roundabout.

THE OIL MARKET IN DISARRAY

Falling prices work both ways

By John Plender

IS IT really conceivable that the potential demise of the Organisation of Petroleum Exporting Countries could be regarded in the West as a cause for regret?

Having sustained successive oil shocks in 1973-74 and 1978-79, the industrialised countries might certainly have been expected to savour their vicarious revenge. Yet the financial markets on Monday responded to the chaotic break-up of the Opec meeting in Geneva with something that looked suspiciously akin to panic.

As always the markets need careful reading. And Britain, incidentally, is a poor vantage place from which to assess the impact of a decline in oil prices since sterling is sensitive to oil and the stock market is sensitive to sterling.

The sensitivity is probably over-done, because Britain's North Sea oil is priced in dollars. The likely decline in Britain's North Sea oil revenues has thus already largely been compensated for by sterling's recent depreciation against the dollar; and sterling's depreciation against other countries has simply corrected an earlier over-valuation that has a prime cause of the recent British industrial malaise. While British views were partly coloured by a falling pound on Monday, other markets have been more worried about the trend of U.S. interest rates than the implications of the Opec meeting.

That said, the question of whether the OECD countries *should rejoice or mourn at the* disarray in the Opec camp depends crucially on what has happened to the underlying supply and demand for oil since the first oil shock.

In the short term, a fall in prices would certainly have a beneficial impact on the real economy in the industrialised world. Lower oil bills would *increase incomes, just as the* earlier oil shocks acted as an indirect tax on Western consumers.

Opec would also be contributing to the fight against inflation. As a rough guide the OECD reckons that a 10 per cent decline in oil prices might cause consumer prices to be 1½ per cent lower after two years. *Nominal interest rates could be expected to fall.*

The latest Amex Bank Review estimates that the OECD countries' net oil imports in 1981 were equivalent to just over \$250bn. The favourable improvement in terms of trade brought about by a price fall to, say, \$25 a barrel would, on that basis, amount to a \$55bn *stimulus*, equal to 0.7 per cent of the industrialised countries' GNP—a significant boost, Amex concludes, when many forecasters are putting the 1983 increase in GNP at no more than 1½ per cent.

But will the oil price move in a convenient and orderly way to \$25 a barrel and stay there? It is precisely the fear that oil *prices will not behave that* makes financial markets uneasy, for the world's financial structure is in no condition to sustain a succession of shocks. And it is far from clear that the West's increasing reliance on non-Opec oil and its development of alternative sources of energy have rendered it immune from a subsequent price increase when *economic activity picks up.*

This was one of the considerations behind the efforts of Saudi Arabia two years ago to prevent Opec's hawks from extracting a higher price for oil from the West. The Saudis feared precisely that the higher price would stimulate increased investment in non-Opec oil, *alternative energy and energy* saving. While they succeeded in keeping Opec's official reference price stable, they lost the battle because oil prices are denominated in volatile dollars. Since the end of 1980 the dollar's effective exchange rate against a basket of leading currencies has risen by nearly 28 per cent, causing a sharp rise in real oil prices.

The result of this has been to provide just the incentive for more non-Opec oil production that the Saudis wished to pre-empt.

The position has now been reached where a fall in the official price can no longer be avoided, but where no one can be certain that the long run eleasticities of supply and substitution have had enough time to take the OECD economies off the Opec hook. There is, however, one important distinction between the fall in oil prices that provided a favourable background to reflation in 1975-1978 and the one that is about to happen today: at no point between the two oil shocks did the nominal price of Opec's oil go down.

In effect, much of the deflationary impact of the first oil crisis was deferred by the process of petrodollar recycling. The private banking system took the surplus dollars that Opec had extracted from Western pockets on deposit and re-lent them to Eastern Europe, Latin America and oil importing countries elsewhere.

The recycling game has now been knocked on the head by the emergence of real interest rates and deep recession after the second oil shock: many less developed countries are no longer able to service the debts which they ran up to pay the oil bills and which permitted them to import goods from the industrialised countries.

At the same time some major oil exporting countries accumulated debts to facilitate economic development.

Inflation, which brought negative real interest rates on the Third World's petrodollar debt, made the burden tolerable, as did the stability of the nominal oil price. Now, however, the banks can be seriously threatened by a declining oil price—first, because many of their corporate clients have invested in projects whose viability depends on a high nominal oil price; second, because oil producers like Mexico, Nigeria and Venezuela will see their revenues, and thus their debt servicing capacity, reduced.

Of course, a price fall cuts both ways. The debt servicing capacity of oil importers will be enhanced by a price cut. A boost to demand in the industrialised countries will have a similar effect. And if there is a steady fall in oil prices to a stable level such as \$25 a barrel, the banks might well be better for it.

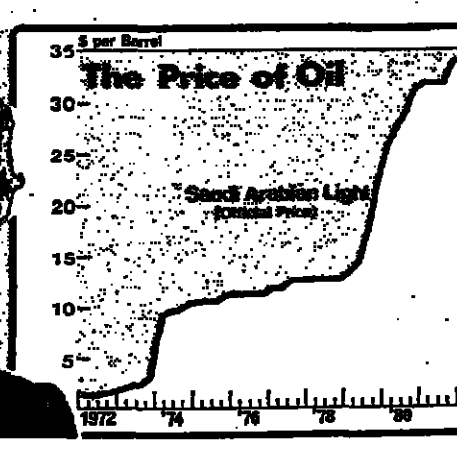
But at present the scene could be set for a very unsteady fall. Moreover, it takes time for countries such as Brazil, which has increased exports significantly to countries like Nigeria and Mexico, whose balance of payments are now under increasing strain, to *re-orientate their trade.*

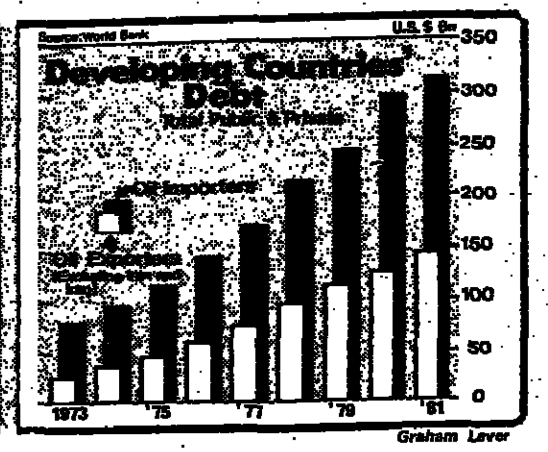
Confidence in the world banking system will be tested yet again. And a decline in the oil price will underline the fact that there are real losses in the world banking system which have yet to be written off against the banks' share capital and reserves.

Even if central banks do succeed in propping up shaky banks by acting as lenders of last resort, they cannot act as losers of last resort. If the oil price gyrates, these weaknesses may be further exposed.

Until there is convincing evidence that the West's long term energy balance has really changed, the break-up of the Opec cartel carries a major risk for the financial, as opposed to the real, economy. Cartels are bad, but financial shocks can be worse. The question is how big a shock we now face.

Sheikh Yamani Saudi Oil Minister





Graham Lever

OPEC: THE MAGIC CARPET COMES TO EARTH

OPEC's magic carpet, which has borne oil prices to ever-increasing heights, has become tattered with excessive use. The Organisation's official prices, which have defied gravity for so long, seem set to fall.

It is a prospect which has sent energy analysts and governments scampering in different directions. For no one yet knows how far prices could eventually tumble or, indeed, whether the Organisation itself will disintegrate.

On balance, the energy industry seemed to feel yesterday that Opec will hold together (although not very tightly) and that some new, cobbled-together production agreement will prevent a wholesale collapse of prices.

There will certainly be no eagerness on the part of the main producers outside Opec—including Mexico and the UK—to see prices drastically cut. *Their exchequers need the oil* revenues. In many cases their oil industries also need fairly high prices to justify high-cost production (approaching \$20 a barrel for some of the latest North Sea fields).

These non-Opec countries are now ruling the roost in an oil market depressed by continuing slack demand. For the first time in decades they are producing more oil than the 13 member nations of Opec. In 1974, in the midst of the first energy shock, non-Opec countries accounted for about one-third of non-communist world oil production. Last year they captured 53 per cent of the market leaving Opec producing at less than two-thirds of its capacity.

Much of the chagrin of Opec ministers, countries like the UK and Mexico have continued to produce flat out, trimming their prices to ensure that they can always find buyers. This is the main reason why the reference price of North Sea crude, based on Forties Field oil, is curently \$33.50 a barrel—some 50 cents less than the official price for inferior Opec reference rude and about \$2 *below the rates for comparable* crude produced by the Organisation's African members.

But official prices do not tell the real story. Some Opec members — most notably Iran — have been openly flouting these by offering big discounts to their customers. Iran has used these discounts to build up its production to a point where it is a major force in the Opec power battle, a position it can use to challenge the traditional leading role of Saudi Arabia. As Mr Mohammad Gharazi, the Iranian oil minister, said on Monday: "We have succeeded in breaking the political power of Saudi Arabia which stems from oil."

For its part, Saudi Arabia, backed by its Arab allies in the Gulf, has been steadfastly defending the \$34-a-barrel reference price. It has argued that pricing stability is in the interests of both producers and consumers.

Given this pricing position, the Saudis were ambitious when, at the Opec ministerial meeting in Geneva earlier this week, they called on African producers to increase their prices even further, to almost \$38 a barrel to reflect quality and transportation differences. They failed and the meeting broke up in disagreement over both pricing and production quotas.

The debate exposed the weakness of the Organisation's present position for, apart from highlighting disagreement among its members, it also showed how out-of-touch with the market place official Opec prices have become.

Events may soon force Opec to recognise the signals of the depressed products market, in which case a price cut of several dollars may be on the cards. Given the continuing depressed state of world economies, high levels of oil stocks and the mild winter, there are no immediate prospects for an *increase in demand for Opec's* oil. Some analysts feel that when worldwide demand takes its normal seasonal dive this spring the call for Opec's oil may temporarily decline to around 15m b/d (compared with the present rate of 17-18m b/d).

Herein lies the trigger for a pricing nose-dive. If individual Organisation members become enjoined in a battle to retain—or even increase—their output against this trend they could find themselves leadfrogging *to prices in the* low twenties or even teens.

Both Saudi Arabia and North Sea producers will play a crucial role in setting the tone of the oil market during the coming few days. Buyers of North Sea crude may persuade British National Oil Corporation, the leading UK oil trader, that a cut in prices is justified. In this case Opec members will be tempted to follow. Alternatively Saudi Arabia—or one of its Gulf allies like Abu Dhabi—may set the ball rolling in a bid to recapture its market share within Opec. In this case Iran may be tempted to follow.

All producers—none less so than the Saudis—are aware that once prices begin to tumble there is no knowing where they will end. It may be the signal for a new period of low-price oil.

Ray Dafter

WORLD OIL BALANCE

(m b/d)	1979	1980	1981	1982	1983
Demand	52.1	49.5	47.1	45.4	44–45
Supply					
Opec	31.4	27.4	23.2	19.3	19–20
(of which S Arabia)	(9.8)	(10.3)	(10.2)	(7.0)	
Non Opec	19.9	20.6	21.2	21.1	22.0-23.0
(of which N Sea*)	(2.1)	(2.2)	(2.4)	(2.7)	
Refinery processing gains and Communist net exports	2.1	2.1	2.1	2.3	2.5
Total Supply	53.4	50.1	46.5	43.7	43.5–45.5

Figures for non-Communist countries; include natural gas liquids.
* UK and Norway.
Source: Merrill Lynch, Pierce, Fenner and Smith; Scott, Goff, Hancock; and industry sources.

Men & Matters

ICE lolly

Advisers on property investment who are earning less than £40,000 to £50,000 a year should lose no time applying to the new agency called Inner City Enterprises (ICE) launched yesterday by a clutch of UK financial institutions.

That is the pay being offered for the first full-time managing director of what the City and the government are agreed is a *brave bid to promote urban* rejuvenation.

Isn't it rather high pay for what is essentially an experiment, I asked Alan Porter, chief executive of the National Water Council Superannuation Fund, one of the seven founding institutions? "We want to do the job properly and attract the best talent" he says.

Wyndham Thomas, general manager of Peterborough Development Corporation who is to be the part-time non-executive chairman of ICE will be paid £10,000 for his services.

The non-executive directors will not do too badly either at £5,000 a year each.

Frank Chapple, chairman of the Trades Union Congress, and general secretary of the plumbing and electrical union will be one of them. The financial institutions will be represented by Porter, Anthony Lovell of the Prudential and Christopher Brockbank of Barclays.

The fifth recruit to the ICE boardroom wil fare less well. Donald Routh, an under-secretary at the Department of the Environment (and eyes and ears on ICE for Environment Secretary Tom King) will pass on his £5,000 to the civil services' coffers.

The institutions supporting ICE, with about £1m start-up money for running costs, include the committee of London clearing bankers, the Building Societies Association, the South Yorkshire county superannuation fund, Commercial Union, the Prudential, and the Reed International and National Water Council pension funds.

If ICE can divert just a small extra percentage of the £2bn a year currently being invested by the institutions in property towards the inner city areas the agency will be reckoned to justify its existence.

Buyers' market

Sir Basil Feldman has never been the most orthodox of men, so it is hardly surprising that his Better Made in Britain exhibition, announced today, is what he calls a "back to front" show.

"Most exhibitions are put on for people wanting to sell their goods," he says. "This is one where those on the stands will say what they want to buy from the visitors."

Feldman, flamboyant former joint managing director at Dunbee-Combex-Marx, the failed toy broup, has been concerned about the amount of clothes we buy from abroad ever since he became chairman of the clothing industry's Little Neddy in 1978.

So he is bringing all the top High Street names together in London in March to show British manufacturers the sort of goods their shops now import but would rather buy from home producers.

It is not just a matter of replacing goods from the cheap sources like Taiwan, Indonesia or Romania, says Feldman. "We buy £650m worth of clothes a year from countries like West Germany and the U.S.

"If we could replace some of that, we could create more turnover for British industry and more jobs in this country. Even a small bite into that total would provide another 10-15,000 jobs here."

"I know it's not the right time to say it but, you really should take more water with it"

Feldman has been full of bright ideas for promoting British clothes in the past five years—though not all of them, it must be admitted, have got far.

A bit ironic, too, that he only persuaded the head of one leading group of stores to take part in his Better Made in Britain show after meeting him while sunbathing on a beach in Barbados.

Taxing problem

As if Irish opposition leader Charles Haughey did not have enough troubles . . . now he and former Finance Minister Gene Fitzgerald face legal action from an irate taxpayer who does not think their 1981 budget came up to scratch.

Mayo solicitor Thomas Dillon-Leetch has been given leave by the Irish High Court to summons the two men to enter an appearance in court within eight days.

The charge they have to answer is that the *1981 budget* not only undermined the financial stability of the State but of citizen Dillon-Leetch as well.

Fitzgerald brusquely rejects it—but if the courts don't, there could be many a sleepless night in future for many a Finance Minister.

Pizza prize

If motivation is the key to commercial success the six finalists in the Options-Makro "Women Mean Business" award seem assured of a rosy future.

Notes for the panel of judges which met yesterday reveal that Philippa Ahern, aged 23, head *of an executive search* company in the City, "is an extremely determined and hungry young lady."

Joanna Sheen, who at 28 sells prints exclusively to Harrods, is described as "another dynamo . . . with incredible energy."

First prize of a silver trophy and a £3,000 cruise went, however, to 45-year-old Vivienne Flower of Katie's Kitchen. A supplier of pizzas and jacket potatoes to Waitrose, Asda, and Tesco, among others, her turnover has grown to £2m a year including a healthy export trade.

Versatility

Industry Secretary Patrick Jenkin, I gather, thought (twice) about reporting to Margaret Thatcher on the progress of his recent tour of Japan in a cable along the following lines:

"Talks with Honda
are fonda.
But with Nissan, the kissin'
Is missin'."

Observer

JAPAN

Mr Nakasone's wind of change

By Jurek Martin in Tokyo

IN 1274 and again in 1281, Japan was in real danger of being overrun by the Mongol hordes. On both occasions the day was miraculously saved by massive storms, whipped up by fierce winds, which destroyed the invading fleets. These "divine winds" were known as *shimpu* or, in an alternative reading of the early Sino-Japanese characters, *KamiKaze*.

In the last two months, to judge by the rumbles of applause emanating from Washington, Seoul and even some European capitals, it has sometimes seemed that, 700 years later, Mr Yasuhiro Nakasone has appeared like the second coming of the *Kami-Kaze*, in its historically understood meaning. Except that, while striving to "save" Japan from foreign hostility, brought about in part by its relative prosperity in an ocean of economic gloom, his wind of change *is also* designed simultaneously to calm international waters and to blow some of the cobwebs of insularity out of the Japanese mind.

In reality, it is not that simple. Mr Nakasone has made dramatic headlines since taking office, not least this week with his policy address to Parliament, calling on his countrymen to "develop a new face as a Japan open to, accepted by and respected by the rest of the world."

But the window of the real centre of political power in Japan is invariably opaque to both Japanese and foreigners alike. Yet even with its distortions, a perception of what the new Prime Minister is up to is beginning to emerge, and so are just as many questions, not all of them answerable, about his ability to deliver.

The questions include the real nature of Mr Nakasone's desire to change Japan and its relations with the world at large: the extent to which he can satisfy an internal and an external audience at the same time, while constantly addressing each in different terms and tones: and the real possibility that whatever he tries to do will suddenly become secondary, if not derailed, as Japan lives out the (presumably) final act in its own national political drama, the judgment on former Prime Minister Kakuei Tanaka, in the Lockheed bribery case.

On the first of these, Mr Nakasone entered office with surprisingly little ideological baggage, his hawkishness on defence apart, even after a career spent pursuing the prime ministership.

But he was known for plain speaking. This has helped him enormously, at home and overseas, because his predecessor, Mr Zenko Suzuki, was the soul of inarticulation, not to say inaction. In two months he has seen his public approval rating rise from an historically low beginning of well under 40 per cent to more like 50 per cent.

In fact, Mr Nakasone's theme is not radically different from that of other Japanese politicians. But he is using the pulpit of his office effectively and at precisely the time when the world is looking to Japan for a comprehensible voice.

Mr Nakasone, of course, wants to give the impression that he is worth more than mere words, but here the evidence is less clear-cut. Some of his actions to date, such as agreeing to exchange military technology with the U.S., the aid package to South Korea and a few of the less sensitive tariff cuts, were already in train. He accelerated decisions, which would probably have come about in any case within months, with his U.S. visit last week as an effective deadline, and can take credit for that: but he pulled no rabbits from the hat.

However, cutting duties on chocolate, biscuits and tobacco did mean taking on entrenched domestic lobbies at some political cost: so may his Cabinet's review of the testing and safety procedures governing imports if it recommends major changes in the laws when it publishes its report at the end of March.

But he also showed he knew some battles could not be won quickly over vested Japanese interests when, for example, he refused to make unilateral concessions to the U.S. on the beef and citrus trade while in Washington.

However, seeking to satisfy Washington in non-commercial fields, above all military security, cuts to the heart of the burning issue in modern Japan—the national "peace" constitution, which limits the state to a narrowly defined self-defence role. This is not the occasion to examine either Mr Nakasone's belief in the need to rewrite the constitution, or the substantial opposition to it. But what he said in Washington and since his return demonstrate the grave political dangers inherent in trying to say the same thing to two different audiences with different shading.

In his Washington Post interview, if not, he insists, in his direct conversations with President Reagan, Mr Nakasone almost blithely appeared to commit Japan to a substantially enhanced defence role against Soviet aggression in his now notorious remark when he said Japan should be "an unsinkable aircraft carrier" against Backfire bombers. He then came home and got his party on record as supporting the constitutional reform without which such an expanded defence posture would not be possible.

But in his speech to the LDP convention and, more importantly, in Monday's policy address to the Diet, he was much more circumspect, stressing the need for international disarmament, pledging to try to resolve territorial disputes with Moscow and, above all, improving Japan's defence capability only "within the bounds allowed by the constitution and limited to that needed for defending ourselves."

This apparent dichotomy prompted Japanese politicians and editorial writers to complain that, outside the country, the Prime Minister had committed the nation to a new course without consulting the Diet or the people. More scurrilously, it has given birth to a new nickname for Mr Nakasone in political circles — that of *Nimaijita*, or forked tongue.

Political opposition to Mr Nakasone is not confined to the half dozen minority parties, mostly of the left. Partly because of his years outside the LDP's mainstream, he has some powerful party enemies, not least Mr Takeo Fukuda, the former Prime Minister. Some of them have not been slow to criticise what they see as his impetuous performances in Washington, in Seoul, and in ramming decisions through Cabinet and party without building the traditional consensus.

The eventual ease of Mr Nakasone's leadership victory last November and his pyrotechnical display since may have given him a temporary breathing space. But claustrophobia is the preferred condition of the LDP's backroom power brokers and the vested interests with which they mesh so well. It is not that they are against change, for under their direction Japan has adapted with staggering success in so many fields. But they incline to the more measured approach, including a careful weighing of the balances before action.

In party terms, what is critical is that Mr Nakasone's most powerful supporter, because he runs easily the biggest LDP parliamentary faction and the most effective political machine in the country, is Mr Tanaka. Therein, for Mr Nakasone, lies the potential rub.

Today the prosecution will make known the sentences it wants handed down on the former Prime Minister on charges that, while in office, he accepted bribes to promote the sale of Lockheed airliners to All Nippon Airways. It is universally assumed in Japan, by all except Mr Tanaka and his adherents, that he will be found guilty.

It is also considered axiomatic in Japanese political circles that if Mr Nakasone is seen to lift a finger to help Mr Tanaka, by trying to influence the prosecution or invoking legal precedent to get him off if found guilty, the Premier will be signing his own political death-warrant. We may never know if Mr Tanaka asks for that help, but if he does and is rejected, then one of Mr Nakasone's intra-party props could crumble. The Prime Minister's best hope must be that Mr Tanaka will quietly leave the stage and let his supporters regroup under different leadership. He has given no public signs yet of so doing.

In the midst of all this delicate balancing of external, domestic and political forces, not to mention nagging worries about the economy and the state of the Government's finances, Mr Nakasone must decide when to call a Lower House election within the next 16 months. The political pendulum theory suggests that the LDP is due to lose some of the seats unexpectedly picked up in 1980 in the wake of the sudden pre-election death of Prime Minister Ohira. The results will, of course, also be determining factors in Mr Nakasone's own political standing and his ability to deliver on what he is promising.

In all, Mr Nakasone may need a *shimpu* as badly as his ancestors did in 1274 and 1281.

Yasuhiro Nakasone, receiving an ovation at the Liberal Democratic Party convention in Tokyo last week

Britain's coal industry

The way to remove the air of depression

By Colin Robinson and Eileen Marshall

A NEW strategy is needed for the British coal industry to reduce its weaknesses, exploit its strengths and prevent its continued decline.

In the spring of 1981 we published an analysis of British coal prospects* which argued that, assuming unchanged government policy, annual home demand for British coal would most likely decline, possibly to less than 100m tonnes by the year 2000. We suggested that the National Coal Board's plan to raise annual production to 170m tonnes was quite unrealistic and that the Energy Department's somewhat lower coal forecasts were also far too high.

At the time our views on coal's future were regarded by many as too pessimistic. However, both the Department of Energy and the NCB have now substantially reduced their forecasts. For instance, the NCB recently told the Select Committee on Energy that its estimated demand range for the year 2000 is now 113-142m tonnes; the new estimates still seem too high, but at least they are a step in the right direction.

The British coal industry in its present condition is a comparatively high cost producer which appears to be suffering more serious problems than a temporary drop in demand. In the world as a whole coal consumption has shown signs of revival since the first oil "shock" of 1973-74 and its share in the world energy market has risen slightly. But in the British energy market coal's share fell significantly between 1973 and 1982 even though oil consumption dropped proportionately more.

In 1982, a year in which oil consumption increased a little, UK coal consumption dropped about 6 per cent. Production has been held up only by exporting coal at less than full cost and by a big increase in stocks—from 28m tonnes at end 1979 to about 52m tonnes now—which has seriously affected NCB finances.

In the very important power generation market coal consumption has been falling since 1980. Our 1981 analysis suggested that a modest nuclear programme, together with some rise in coal prices relative to oil prices, might well cut power generation coal sales to 40-60m tonnes in the year 2000. There is no sign of any market appearing which could compensate for such a decline.

The present government was originally committed to reduced protection for coal under the 1980 Coal Industry Act. However, in February/March 1981, under threat of miners' strikes, its policy was reversed: coal imports were severely restricted and subsidies for the industry were increased. At the time we described the new policy as "a prime example of surrender to a powerful producer group with little regard to the interests of society as a whole" and subsequent events have reinforced that view.

Removal of import restrictions would be a particularly important change of policy

Despite import restrictions and subsidisation, consumers are clearly not turning to British coal. One reason may be doubts whether coal prices will remain low relative to oil prices.

A second probable reason is consumers' concern about the frequent threats of disruption to coal supplies which make a nonsense of the Coal Board's claim to provide security of supply. Diversification of coal supplies, via freedom to import from a variety of sources, would provide more security for consumers as well as increasing competition and keeping down prices.

Removal of import restrictions is a particularly important policy change which should be made, though inland transport costs would probably prevent deep penetration into the UK market.

However, a fundamental rethink of coal policy seems necessary now that the industry's future is no longer obscured by highly inflated demand forecasts. Under the present protectionist regime the British coal industry is likely to continue to decline, even while taxpayers and consumers pay heavily to support it. If such an outcome is to be avoided, consumers' expectations first need to be changed so that they believe secure coal supplies will be available at competitive prices. For such a change, besides the removal of import restrictions, clear moves towards a more profitable industry are essential.

Concentration of output in the comparatively low-cost areas is long overdue, and could strengthen the industry's competitive position against other fuels, so that its output need not be much smaller than at present. Productivity would be increased, earnings could rise and the air of depression which has for so long hung over the industry should be lifted.

There might even be an end to the apparently ceaseless political battle over the industry's future, which would then depend more on its own enterprise and less on State protection. In such circumstances private capital might well be attracted to the industry, so freeing it from the degree of government control which inevitably accompanies state funding and heavy subsidisation.

Of course, such policy changes would bring into the open the social and human problems of threatened mining communities. But it would seem more satisfactory for society as a whole to provide aid to deal directly with those problems rather than for coal production to be used as a means of social insurance. Given the choice, local communities might think of better ways of using funds provided to them than keeping their members in such a dangerous, unpleasant and insecure occupation as coal mining in marginal areas.

A strategy which identifies and exploits the strengths of British coal is what the industry now seems to need. There can be no surer way of promoting continued decline in the industry than to persist with present policy.

Colin Robinson and Eileen Marshall are respectively Professor of Economics and Lecturer in Economics at the University of Surrey.

** What Future for British Coal? Robinson and Marshall, Institute of Economic Affairs, Hobart Paper 89, May 1981.*

Letters to the Editor

The New Zealand butter quota and the Community

From the First Secretary (Press and Information), New Zealand High Commission

Sir,—The letter from Mr Anthony Rosen (January 24) about New Zealand butter contains so many inaccuracies as to call for a reply.

The facts of the matter are that on October 19 last year the Council of Ministers of the European Community approved unanimously, on the basis of a long-standing agreement, a New Zealand butter quota of 87,000 tonnes for the United Kingdom market in 1983. The French and Irish Governments have since chosen to obstruct implementation of the Ministers' decision, on grounds which have nothing to do with New Zealand. This is a matter of great concern not only to New Zealand but also to other member states of the Community, which see the integrity of its decision-making process compromised. That is the basis on which Mr Walker and other Ministers in the Community are urging speedy implementation of the October decision. New Zealand is glad of their support.

New Zealand has supplied butter to Britain for over 100 years, in good times and bad. British consumers have wanted it. Our industry produces butter, ships it 12,000 miles, pays an EEC levy (which contributes to Community funds) and yet it still remains competitively priced in the shops here. If your correspondent thinks that a small economy whose export income is heavily dependent on agricultural products could afford to subsidise itself over the years to the extent he implies, then he is indeed mistaken.

The suggestion that Britain should buy New Zealand butter and "ship it directly from New Zealand to the needy of the world" is absurd.

As for the question of the United Kingdom's extending expert advice on new markets, the New Zealand Dairy Board already is the world's largest single commercial dairy exporting organisation and sells its products in more than 100 countries. Its principal problem is not a lack of expert advice but competition from the heavily subsidised disposal of surpluses produced elsewhere. The Board has made and continues to make energetic efforts to develop new products and markets. Nevertheless, the UK butter market remains of the greatest importance to us. There is ample evidence that this continued supply is valued by the British consumer and by the trade.

David Lawson,
First Secretary,
(Press and Information),
New Zealand High Commission,
New Zealand House,
Haymarket SW1.

Small firms and Europe

From Mr M. Grylls, MP

Sir,—In your article (January 18) "Small firms and Europe," your correspondent quotes the Confederation of British Industry as saying that action to require member countries to reserve a certain proportion of public sector contracts for small and medium sized enterprises (SMEs) would be a "dangerous and retrograde step." It would, argues the CBI, distort competition and be divisive between firms.

Really? In the USA for two decades now they have had a "set-aside" policy for small firms, obliging government purchasing officers to award 25 per cent of their contracts to small business. Understandably, the CBI which is financed chiefly by large companies and the nationalised industries, shies away from anything approaching robust discrimination to encourage smaller firms. The fact is that big business, in Britain, has such a huge built-in advantage that to compensate for this, government action is needed.

In France, too, if a smaller firm is within 4 per cent of winning a contract granted to a big firm, it can appeal and try again. Surely that does not distort competition? It just tilts the balance back towards the smaller firm.

Michael Grylls,
(Chairman of the Small Business Bureau),
House of Commons, SW1.

Actors demands on TV pay

From Mr Frank Brown

Sir,—No actor or actress I have ever met, or worked in conjunction with, in 25 years of management in commercial theatre and television, would ever agree that their pay should (in what is a casualised employment industry) relate to the varying size of audience which cares to look at their work.

At the moment their payment for repeats of commercials is graded according to the total population size (ie potential audience) in the differing transmission regions of the ITV contractors. In the same way, live performance has a varying pay scale as between say, Pitlochry and Shaftesbury Avenue but there is no variation in pay for a packed-out week in contrast to a half-full week.

Breakfast television has the opportunity to reach the entire national audience. The fact that TVAM do not expect to reach the level of ITV 1 audiences is reflected in the cost of their advertising time. Why expect the actors to make a further contribution from their own pockets? Audiences have the habit of growing.

On Channel Four it is a matter of recent history that both the advertisers and their agents opposed the whole system of funding this channel and lobbied, right through the Parliamentary proceedings on the Broadcasting Bill, that the channel should sell its own advertising time. They were not successful.

Frank Brown.
20 Bennerley Road, SW11.

Tory trades unionists

From Mr John Wiseman

Sir,—David J. Willis (January 20), writing as "an official of a conservative, non-political trade union" says that "any unionist who supports his (Tebbit's) Government is rather like a turkey voting for an early Christmas."

I am a *member* of another "conservative and non-political" trade union. The officials of my union are not elected. They cannot be deposed. The union circulates no balance sheet, but research at the Certification Office for Trade Unions reveals that in 1980-81 the officials gave themselves a 16.55 per cent wage increase; in that year they negotiated a 5 per cent increase for their members. There is no General Meeting, and no decision of any meeting of members is binding on the executive. The Rules are made by the Executive Committee, without consulting the membership, announced in the union journal by decree.

One of these Rules empowers the Executive to reject any members' nomination for the ballot for Committee membership. Another empowers them to *remove* any validly elected Committee member who may have slipped through this net. The election is a farce; only Committee approved people can serve on the Committee; the will of the rank and file members is vetoed. Mail sent via the union office from one member to another is opened and inspected.

John Wiseman,
107, Antill Road, E.3.

Cheaper water on a meter

From Mr P. B. Trollope.

Sir, — Your correspondent, Mr T. Fisher, in his letter published on January 7 suggests that separate metering is "hardly practicable" in cases such as his. This is so for individual small offices, but it is practicable where a large office building is divided up into a number of smaller rating hereditaments. Under certain circumstances, one of which is that all occupiers must have access to all parts of the building where water is used, water authorities are obliged to provide one meter for the whole of a building, if requested to do so.

Where customers have meters, the Welsh Water Authority charges on a metered basis for sewerage as well as water. Other authorities run similar schemes.

In the 1981 rating year, the landlord of one multi-occupied building in Cardiff arranged for all the water and sewerage to be charged to itself by the metered system and then to recharge the tenants. The saving to each tenant was of the order of 20 per cent for sewerage and 90 per cent for water for the period covered. Large savings are also anticipated for 1982/83.

P. B. Trollope.
44 Nant Talwg Way,
Barry, South Glam.

Multiplying Rayner's savings

From Mr Raymond Nottage.

Sir,—The article "Rayner: why his reforms may prove short-lived" (January 19) said that the efforts of Sir Derek and his small team of civil servants had racked up potential savings of £275m a year, with £175m already in the bag.

This is all to the good, of course, but it is small beer compared with the cost of over £3,000m a year which the contracting out option in the state pensions scheme is inflicting on the nation, a cost which has to be met by the National Insurance joint contribution rate being 2.6 per cent higher than it would otherwise need to be. These figures are given by the Government Actuary in his report National Insurance Fund Long Term Financial Estimates.

If Sir Derek could persuade the Prime Minister to remove this extravagance from the statute book — and hence the tax on employment that it causes — he would, at a stroke, multiply his present potential achievement more than tenfold.

Raymond Nottage,
36E Arkwright Road, NW3.

True extent of standing charges

From Mr Bernard Tennant

Sir,—I refer to your report on the rebate schemes introduced by British Gas and the Electricity Council (January 20).

We would endorse the Energy Secretary's concern for the smaller consumers of gas and electricity, particularly the old age pensioners; and share the hope that the reductions in standing charges will offer relief from anxiety over their future bills. However, we are less sanguine about the statement by British Gas that they will not seek to recover the £20m cost of the rebate from other consumers.

The Chamber has urged Ministers to lift the veil of secrecy surrounding the way in which standing charges are fixed by the nationalised industries. We have made inquiries into the calculation of standing charges and it has proved impossible to secure details of aggregate income from such charges or how that income was spent. British Gas, for example, informed us that the costs and revenue from standing charges "are broadly in balance" and it would appear that standing charges account for about one-sixth of the total income from gas sales. The Electricity Council confirmed that the figures for the electricity boards' income are not broken down in any way which will show clearly the income from fixed charges. The most we could elicit from that industry was that "as a rule of thumb, about 8 per cent of quarterly non-domestic income stems from fixed charges."

It became obvious from our own inquiries in the regions that standing charges do not recoup all costs in every case and, because of that fact, some standing charges are likely to increase more than unit charges for energy consumed. That situation could play havoc with any of the present tariff options which businesses may have chosen initially to save on consumption costs.

There would seem to be a clear need for the Government to strengthen its guidelines with regard to simplification and standardisation of charging methods within some nationalised industries so that consumers are more easily aware of how they are actually paying for the services they use.

Bernard Tennant,
Secretary,
The National Chamber of Trade,
Enterprise House,
Henley-on-Thames.

FINANCIAL TIMES

Wednesday January 26 1983

Grundig postpones Telefunken takeover

BY KEVIN DONE IN FRANKFURT

GRUNDIG, the leading West German consumer electronics group, has postponed its proposed takeover of Telefunken, the heavily loss-making consumer electronics subsidiary of AEG-Telefunken.

The two companies agreed yesterday to halt negotiations in order to await the outcome of the bid by Thomson-Brandt, the French state-owned electronics group, to acquire a 75.5 per cent stake in Grundig.

The planned takeover of Grundig by Thomson-Brandt – the two companies have signed a letter of intent – is currently being considered by the West German Cartel Office, but the deal has run into considerable political and industrial opposition in the Federal Republic.

The cartel authorities have made clear that they are unlikely to approve the Thomson-Brandt bid – the French group has already bought up two failing West German television manufacturers Saba and Nordmende as well as Dual, the financially-troubled maker of hi-fi equipment.

A final decision on whether the deal can go ahead will depend on the success of an appeal to the West German Federal Economics Minister, who has the power to over-rule a veto from the Cartel Office.

Grundig, which is currently 24.5 per cent owned by Philips of Holland and 75.5 per cent by Dr Max Grundig, the company founder, has itself run into serious financial problems in the face of fierce competition from the Far East, particularly in the video recorder market where it has been forced to make price cuts.

It is seeking its salvation in a wider re-organisation of the European consumer electronics industry in a series of co-operation ventures which could ultimately bring together interests in this sector of all four companies, Thomson-Brandt, Philips, Grundig and ultimately Telefunken.

In a joint statement Grundig and Telefunken said yesterday that both companies believed that "a pause in negotiations was sensible in order not to pre-judge attempts over the next few weeks to reach a European solution for the consumer electronics industry."

"It is still the goal of both companies to co-operate closely in the field of consumer electronics in order to use the advantages of greater production volumes against competition from the Far East." Both companies called for a more sympathetic handling of their co-operation plans from the cartel authorities, national governments and the European Commission.

Grundig said yesterday that it still believed that a European solution involving the four companies – Grundig, Thomson-Brandt, Philips and Telefunken – could be reached by March or April.

The Telefunken takeover had been put on the "waiting list," said Grundig, to await the Cartel Office's decision on the Thomson-Brandt takeover, which is expected by the end of February.

Grundig dismissed talk of an alternative "German solution" involving Siemens and Bosch.

Under the original letter of intent signed by Grundig and AEG-Telefunken in July last year it had been planned that Grundig would take a stake of 26 per cent in Telefunken, one of the most heavily loss-making parts of the financially stricken AEG-Telefunken group, along with full management control.

AEG was to have maintained an interest of 25 per cent with a banking consortium led by Dresdner Bank acquiring 49 per cent of the Telefunken equity.

Telefunken had first to be restructured and relieved of its massive debt burden arising from the financial collapse of the AEG-Telefunken parent company last August, however.

The industrial and financial restructuring of AEG is currently in progress under the supervision of the courts and creditors are due to meet on March 9 to vote on whether they are willing to write off 60 per cent of their DM 4.9bn ($1.98bn) outstanding claims on the parent company.

UN chief for talks on Kabul problem

By Our Foreign Staff

SR JAVIER PEREZ de Cuellar, the United Nations Secretary General, is to visit Moscow in March to discuss the Russian occupation of Afghanistan with Mr Yuri Andropov, the new Soviet leader.

The visit, which is at Mr Andropov's invitation, is a clear indication that the Soviet leader intends to pursue his diplomatic offensive over the Russian military presence in Afghanistan begun at the funeral of President Leonid Brezhnev in November.

It also reinforces recent expressions of optimism about an eventual settlement of the crisis by Sr Perez de Cuellar, President Zia ul-Haq of Pakistan and France's President François Mitterrand, although there is no indication of an early Soviet pull-out.

The visit is planned for March 28 and 29. The Secretary General's special envoy, Mr Diego Cordovez, is due in Kabul this week after talks with Iranian and Pakistani leaders, including President Zia, in their capitals.

In an evident attempt to avoid any impression of public pressure on Moscow in advance of this visit, Sr Perez de Cuellar several times emphasised that "at this stage," Afghanistan, Iran and Pakistan were the parties he was dealing with. The Soviet Union, which involved Afghanistan in 1979 to install the regime of Mr Babrak Karmal, was not an intermediary, he insisted.

But he said that the Afghanistan question, along with disarmament and the Middle East, were very high on the list of subjects he would raise with Mr Andropov.

Nitze pledge on arms proposals, Page 2

Uncertainty over Bonn election takes pressure off the franc

BY DAVID MARSH IN PARIS

THE FRENCH Government, which this week has firmly denied reports of a new international borrowing to prop up its currency, believes that pre-election uncertainty in West Germany is acting as a strong force taking pressure off the franc.

Monetary officials in Paris say that the Bank of France, which was forced to intervene heavily just before Christmas to prevent the D-Mark rising too far within the European Monetary system (EMS), has hardly needed to intervene in recent weeks.

With the foreign exchanges preoccupied by doubts about the future government in Bonn, the D-Mark has slipped back to near its central rate in the EMS. It was quoted at the midday fixing session in Paris yesterday at FFr 2.8346 compared with the central rate of FFr 2.8339 and rates at the beginning of the month as high as FFr 2.8360.

The Bank of France has taken advantage of the lull in pressure to restart a gradual reduction in interest rates on the Paris money market. This is judged by the Government as one of the necessary conditions for a further reduction in the cost of loans for industry.

Yesterday the day-to-day money market rate was cut again to 12.5 per cent from 12.625 per cent on Monday and 12.75 per cent last week.

M Jacques Delors, the Finance Minister, has strongly denied a report in Le Monde that the Government was in the early stages of discussing a further international loan of $3bn from U.S. banks, for possible use after the March municipal elections.

France's currency reserves have been swollen considerably by the full drawing both of the $4bn Eurodollar loan arranged in the autumn and of a $2bn credit from Saudi Arabia.

Between $1bn and $1.5bn of the Euro-credit is believed to have been used so far, with the whole of the Saudi credit still intact. The size of the currency reserves – put by the Finance Ministry at over $5.5bn at the end of December, against just under $3bn a month previously, rules out the need for the moment for any further large borrowing by the Government, officials say.

Summing up the mood of relative relaxation over the franc, a foreign exchange dealer at a major U.S. bank in Paris commented yesterday that the foreign exchanges were focussing almost entirely on the revival of the dollar against the D-Mark and the effect of falling oil prices on sterling. "There is no speculation against the franc at the moment," he said.

The Finance Ministry's normal programme of heavy borrowing by public sector enterprises – which raised $10bn last year on the international capital markets – is continuing to offset the strain on the franc caused by a trade deficit of about $1bn a month.

Heavy borrowing abroad – which boosted France's total external debt by an estimated $20-25bn last year – has caused considerable controversy in France. But one international monetary official who attended last week's round of finance minister's meetings in Paris commented that the heavy pace of French borrowing abroad was no longer a prime source of disquiet now that the Paris Government was taking active steps to cut back the trade deficit.

David Housego adds: the ability of the French state to finance the ambitious investment programmes of the newly nationalised industries has been called into question by a report from the finance commission of the French Senate.

The report, inevitably, has an anti-Socialist bias as the centre and right-wing parties dominate the Senate. But it poses many of the problems that are being asked of the future of the newly nationalised sector.

The report covers five of the groups taken over in February last year – CGE, Thomson-Brandt, Pechiney-Ugine Kuhlmann, Rhone Poulenc and Saint-Gobain.

It says that the state faces the cost of compensating the former shareholders, financing the new investment plans and covering existing public sector losses. It puts the cash injections being sought by the whole group of newly nationalised companies at FFr 50bn and the total losses last year of the public sector including the para-state monopolies at FFr 30bn.

The report also raised the issue of the compatability of the social goals assigned the nationalised industries in terms of employment and the economic goals.

Money markets, Page 32

U.S. Steel loses $361m in year

By Richard Lambert in New York

U.S. STEEL, which last week warned that it had made "staggering" losses in the final quarter of 1982, reported yesterday that it had lost $363m in the three-month period, compared with net income a year earlier of $101.8m.

For the year as a whole, the biggest U.S. steel manufacturer lost $361m against a net profit of $1.08bn 1981.

Mr David Roderick, U.S. Steel's chairman, said the company's steel business made an operating loss of $852m in the year, with shipments falling to their lowest levels since 1938. Its raw steel production for the year fell from 23.4m tons to 12.1m tons, and in the final quarter the company made just 2.5m tons of steel.

Mr Roderick attributed the steel losses to the virtual collapse of the market for tubular products used in energy exploration. He added that unfairly priced imports and continued escalation of labour costs had also adversely affected the figures.

In addition, the fourth quarter carried an unusual charge of $153m against pre-tax income for costs arising from plant closures. There was also a special charge for increasing the bad debt reserve.

In contrast to big losses on the steel side, Mr Roderick said the newly aquired Marathon Oil unit had experienced a very good year.

In the light of the recession, its operating income before taxes totalled $1.24bn. Results for the year included benefits from asset sales and inventory liquidations, coupled with the favourable adjustment of previously accrued black lung liabilities and the sale of tax benefits.

Despite its big losses, the company declared a dividend of 25 cents a share.

THE LEX COLUMN

A Rank disaster down under

Visions of an oil price racing down to levels at which Saudi Arabia might be able to re-establish control over the market kept sterling under heavy pressure all round yesterday, even if some judicious early official support prevented it from reaching a point at which London's foreign exchange dealers would have had to cancel their summer holidays. The UK trade figures for December, due tomorrow, may bring some attention back to the fundamentals but, at the moment, this is not a market ruled by statistics.

Rank Organisation

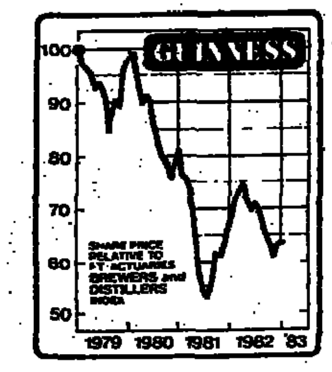
Whatever constitutes the opposite of the Midas touch, the Rank Organisation has it. Profits before tax in the year to October tumbled from £102.8m to £61.5m and, excluding associate contributions, the company has turned in a small loss, after interest costs of £35m.

The culprit on this occasion is Australia, in which Rank may have invested about £80m over the past few years. Segmental information has never been the company's strong point but it looks as if Australia lost some £10m at the pre-tax level. That is only half the story, however. Rank has charged a net £22.5m below the line, the vast majority of which must relate to closures and rationalisation in Australia.

These extraordinary items would look worse still but for an astonishing piece of accounting magic. Rank has taken a book loss of £586,000 on the disposal of investment properties but converted this to a profit of £2.8m by writing asset values down in the balance sheet and taking the difference to the revenue account.

The dividend has been cut to a level which almost precisely corresponds to the payment received from Rank Xerox, where profits remain under some pressure. Given that RX is likely to show lower profits again in 1983, that Rank showed a cash outflow of about £30m in 1982 even after selling a property in Toronto for C$100m and that, ex associates, the group will probably produce hardly any pre-tax return on capital employed of about £450m this year, the case for a larger cut was very strong.

Yet the shares stand at 104p only because of the 11.3 per cent yield on the reduced dividend and Rank may have reasoned that a larger cut would have invited predators. After the experience of the last few years, that might be no bad thing. At the very least, the management performance of the Rank Organisation is something in which institutions should take a more aggressive interest.



Beecham

Beecham's expansion in the U.S. shows no sign of letting up. Only four months after acquiring J.B. Williams for $100m, it is paying $70m for Schering-Plough's DAP adhesives company. Taken together, these two businesses will probably push up sales by around $250m in the next full year, probably taking the U.S. consumer products division to not far short of a third of the group's turnover in this area.

Unlike J.B. Williams, which on the face of it looked expensive, DAP is being acquired on a multiple of only about 15 with pre-tax profits estimated at $9.2m for last year. The U.S. company has shown solid growth over the last two years, making $6.9m pre-tax in 1980, and current profits should immediately cover the cost of the $50m of new borrowings Beecham has raised for the deal – the other $20m coming from its own cash resources. It has a strong base in the U.S. where it already has a 30 per cent market share, so Beecham sees the main growth opportunities overseas.

Arthur Guinness

The new Arthur Guinness management put ancient history firmly behind it yesterday as it combined $48.7m extraordinary charge for the year to September with the first dividend increase for four years. The extraordinaries, including a substantial element of provisions, are meant to cover the cost of eliminating virtually all the lossmaking activities that Guinness has collected in its chase for profits outside brewing. The 9.8 per cent dividend increase presumably points to better times ahead.

The group has already shown what can be achieved by tightening controls in a loosely run organisation. Helped by hefty price increases of about 19 per cent, pre-tax profits rose last year by 18 per cent to £49.4m, despite a fall in beer volumes of roughly 4 per cent in the UK and Ireland, and exceptional reorganisation costs of £6.6m. In the current year it should be helped by over £4m worth of loss elimination; lower exceptional charges and a decline in interest costs the balance sheet benefits from cash generated by disposals; net debt has already been brought down by £30m, leaving capital gearing slightly lower at 40 per cent, despite a £45m charge to shareholders funds.

While the market has already discounted some of the recovery at Guinness, it pushed the shares up 11p yesterday to 113p, where they are on a fully-taxed historic multiple of 8.5 and a yield of 4.8 per cent. The main question for the shares now is whether, having apparently arrested the decline in what is generally regarded as a mature product, the new management can tack on growth as well.

Mercantile House

Mercantile House looks, in retrospect, to have timed its acquisition of Oppenheimer Holdings with a nice blend of luck and good judgment. The group is not breaking down the Oppenheimer contribution for the six weeks in which it was consolidated, but the volume of trading in Wall Street during the autumn must have provided it with very rich pickings.

Mercantile has not yet settled doubts about the adequacy of its balance sheet, sporting net tangible assets of only about £27m, now that a Wall Street own account trader has been added to its stable. But the results for the half-year to October will at least answer criticisms that Mercantile is too profligate with its paper. A broadly-based improvement has seen profits more than double to £13.1m pre-tax, leaving earnings per share up by 41 per cent. The shares responded with a 20p jump to 400p where, assuming a full year net dividend of 20p, the yield is 4.1 per cent.

EEC agreement on fisheries

Continued from Page 1

talks involving West Germany, as the current president of the EEC Council of Ministers, Denmark and the Commission. Under the agreement Denmark won assurances on future quotas while Copenhagen's nine EEC partners were determined that the basics of the package they agreed at the end of the year would not be disturbed.

Under the compromise Denmark was given future guarantees on 20,000 tonnes of mackerel, with "priority" up to 25,000, or compensation by "special measures," and a commitment for an extra 2,000 tonnes of cod in arrangements with the EEC's fishing neighbours. The latter arrangement was also being differently interpreted, with Denmark saying it was for an "indefinite" period and Britain insisting it was for only three years.

Nevertheless, yesterday's achievement was considerable, bringing to an end almost constant and always difficult negotiations which began in earnest after the 1975 Cod War over Iceland's decision to extend its fishing limits to 100 miles.

During these years, almost every one of the EEC's main fishing nations was seen as the culprit in preventing agreement. Denmark's quota demands was only the most recent stumbling block after Anglo-French agreement on access to British coastal waters was achieved last summer.

"Of course there are some proposals which everyone can interpret the way they like," said one high-ranking official. "But if we were going to get agreement, these were going to have to exist. It is the politican, will of the member-states to have an agreement which counts."

The talks most recently reached impasse at the end of the year prompting the Nine to take measures individually, but in concert with the Commission, to try to impose a CFP over Danish objections.

West German steel plan

Continued from Page 1

on who would merge with whom. The companies' supervisory boards are expected to consider the moderators' proposals over the next few weeks.

In the meantime, the moderators are asking for the immediate creation of marketing companies, based on the two groups for flats and heavy sections, and a "South-west" and "North-west" group for light sections.

The moderators claim that their concept would maintain the chief sites for steelmaking in West Germany for the foreseeable future. However, Frau Birgit Breuel, the economics minister for Lower Saxony which is the home of the Salzgitter group, abruptly attacked the plan as favouring only the lower Rhine and the Ruhr.

The original concept of Ruhrstahl, a merger between Hoesch and Krupp, and favoured by the local government in North-Rhine Westphalia, is all but ignored in the moderators' report.

UK receives highest fish quota

THE COMMON Fisheries Policy as agreed yesterday contains the following four main elements: Quotas: each country will be allocated global percentages with tonnage limits spelt out for each of the EEC's seven most valuable species: cod, haddock, whiting, plaice, saithe, redfish and mackerel.

According to figures issued last night by Britain, the UK would receive the highest overall quota of 37.3 per cent, followed by Denmark, including its Greenland catch (25.5), France (11.6), West Germany (11.4), the Netherlands (7.7), Ireland (4.6) and Belgium (1.9).

- Access: exclusive rights for local fishermen up to six miles from shore, with limited traditional rights granted in certain areas for other countries between six and 12 miles. British fishermen would receive preferential treatment in a wider "box" around the Shetland and Orkney islands, where fishing by other countries would be limited by license.
- Enforcement and conservation: each country is responsible for enforcing quotas, access and technical conservation measures such as net and mesh sizes, with the European Commission empowered to monitor the member-states' enforcement procedures through on-site checks by a team of inspectors.
- Marketing and structures: EEC aids will become available, with about $220m provided to supplement national aids for a range of projects, including the scrapping of outmoded craft, modernising existing fleet, building new boats and for research and exploration.

Widespread losses for sterling

Continued from Page 1

35 points lower in London at $1.5370. It was the third successive day on which the London close had been at a new record low.

However, the close represented a marked recovery from even lower levels at which sterling was traded in London yesterday morning. It drifted from an opening $1.5250 to its lowest ever parity on the London market of $1.5170.

In New York the pound closed at $1.53675.

As the foreign exchanges began to assess the likely balance of payments effects of lower oil prices, the currencies of oil-importing countries came back into favour. That gave particular strength to the D-Mark and the yen. Sterling lost 7.75 pfennigs to close in London at DM 3.725 and also finished Y8 lower at Y362.75.

London's financial markets, meanwhile were more settled than on Monday, with government securities rising by as much as ¾ of a point.

The Bank of England was again successful in its efforts to maintain liquidity in the money market, where overnight money was eventually plentiful enough to be borrowed at an interest rate of 1 per cent. The critical three month rate remained (at 11$\frac{11}{16}$ per cent) close to levels which the clearing banks have recently tended to regard as exerting upward pressure on their base rates.

Dealers in London thought that Monday's rise in the dollar had been overdone, describing some of the buying as "euphoric". The U.S. administration was felt to be under increasing political pressure to bring down domestic interest rates and let the dollar's exchange rate fall.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	12	54	Dubrovnik	S	13	55	Malaga	S	14	57	Salzburg	F	5	41
Algarve	F	12	54	Faro	S	15	59	Malta	S	14	57	Seoul	S	7	45
Algiers	S	15	59	Florence	Fg	2	36	Manila	–	–	–	Singapore	–	–	–
Amsterdam	Fg	7	45	Frankfurt	C	-1	30	Miami	C	15	59	Stockholm	C	5	41
Athens	F	8	46	Funchal	C	19	66	Milan	S	4	39	Strasbourg	C	2	36
Bahrain	S	18	64	Geneva	C	-1	30	Moscow	S	-9	16	Sydney	C	23	73
Bangkok	–	–	–	Gibraltar	C	14	57	Munich	S	3	37	Taipei	–	–	–
Barcelona	S	13	55	Guernsey	R	9	48	Nairobi	S	28	82	Tangier	S	16	61
Beirut	C	11	52	Helsinki	Sl	1	34	Naples	S	12	54	Tehran	–	–	–
Belgrade	S	7	45	H. Kong	S	15	59	New Delhi	S	20	68	Tel Aviv	C	14	57
Berlin	C	5	41	Innsbruck	S	1	34	New York	–	–	–	Tenerife	F	21	70
Biarritz	F	14	57	Inverness	R	7	45	Nice	F	12	54	Tokyo	S	10	50
Blackpool	F	8	46	Istanbul	C	5	41	Oporto	F	16	61	Toronto	Sl	1	34
Bordeaux	F	10	50	Jersey	Fg	10	50	Oslo	Fg	1	34	Tunis	C	14	57
Brussels	R	8	46	Jo'burg	F	27	81	Paris	C	9	48	Valencia	S	13	55
Budapest	Fg	-1	30	Las Palmas	F	20	68	Prague	F	-1	30	Venice	S	6	43
B. Aires	–	–	–	Lima	–	–	–	Reykjavik	C	-3	27	Vienna	F	1	34
Cairo	–	–	–	Lisbon	S	12	54	Rio de J'o	–	–	–	Warsaw	F	4	39
Cape Town	S	23	73	Locarno	S	–	46	Rome	S	13	55	Zurich	F	1	34
Caracas	–	–	–	London	C	10	50								
Casablanca	F	16	61	Los Angeles	–	–	–								
Copenhagen	Fg	5	41	Luxembourg	R	-1	30								
Corfu	S	15	59	Madrid	S	10	50								
Dublin	F	10	50	Majorca	S	14	57								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

N. Sea oil price pledge

Continued from Page 1

they waited for the market to settle. But analysts – pointing to depressed demand and losses being sustained by refiners of Opec oil – said it was only a matter of time before exporters started reducing their contract rates.

Estimates in the Treasury suggest that if North Sea prices fell by 10 per cent, Government taxation revenues would fall by about £750m ($1.16bn) in the 1983/4 financial year.

It was pointed out that a North Sea price of $30 a barrel, with an exchange rate of $1.55 to the pound would result in a sterling price of £19.35, some 10 pence more than the price last summer when the price was $33.50 and sterling was valued at $1.74.

John Edwards, Commodities Editor, writes: Gas oil futures dropped sharply yesterday morning on the International Petroleum Exchange in London after the breakdown of the Opec talks. But values rallied strongly in the afternoon.

The February futures position, for example, sank to a low of $248.5 a tonne in the morning, but recovered to close afternoon trading at $255.5 a tonne, only $4.5 down on the previous day.

Turnover on the market was a record 6,125 lots of 100 tonnes each.

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday January 26 1983

FOURTH QUARTER PERFORMANCE LIMITS YEAR'S DECLINE

Exxon sees income fall 13.3%

BY RICHARD LAMBERT IN NEW YORK

EXXON CORPORATION, the Western world's biggest oil company, yesterday said that as a result of a modest increase in earnings during the fourth quarter, the drop in its overall net income for the year had been limited to a 13.3 per cent decline to $4.19bn. However, the underlying trend in its figures has been obscured by accounting changes and stock profits.

Mr C. Garvin, Exxon's chairman, said the group had been faced with continuing reductions in demand for petroleum and chemical products and related excess capacity in all phases of these operations.

The 1982 figures have been calculated on the basis of the new foreign accounting standard – FAS 52 – which means that the local currency of the country of operation, rather than the U.S. dollar, has been used as the functional currency for the majority of the company's foreign operations.

Exxon estimates that 1982's net income on the new basis was $130m lower than would have been reported for the year on the previous accounting basis. Prior years' figures have been restated to provide comparability.

Against this, Exxon explained that sales of crude oil and products obtained from the drawdown of relatively low cost Lifo inventories contributed $1.1bn to net income in 1982, and $294m in 1981.

For the fourth quarter, gains from the drawdown of Lifo inventories contributed $507m to net income in 1982 and $262m a year earlier.

Overall net income for the fourth quarter emerged at $1.48bn a rise of 6.9 per cent on the restated 1981 figure. Sales in the period declined by 11.9 per cent to $26.24bn.

Earnings per share for the full year slipped from $5.58 to $4.82, and overall revenues were down by nearly 10 per cent to $103.6bn.

Perhaps the best indicator of Exxon's performance during the year is the return on its shareholders' equity, which slipped from 17.8 per cent to 14.9 per cent.

Commenting on the figures, Mr Garvin said that Exxon had reduced its external debt by roughly $1bn in the year, partly by slowing down the rate of growth in capital spending.

Petroleum exploration and production earnings in the U.S. had fallen by 17 per cent to $1.87bn over the year, he added. Earnings from petroleum refining and marketing operations in the U.S. had risen by $87m to $447m.

Outside the U.S. petroleum exploration and production earnings had slipped from $1.86bn to $1.52bn, as a result of lower earnings from Aramco and higher operating costs. Foreign refining and marketing operations had slumped from just over $1bn to $666m, and international marine operations incurred losses of $98m compared with earnings of $29m in the previous year.

Mr Garvin had bleak news about some of Exxon's diversification projects. Other energy activities had incured net losses of $102m, mainly as a result of write-offs on the Colorado shale oil project.

Earnings from worldwide chemical operations tumbled from $238m to $92m, and Reliance Electric Company swung from earnings of $29m to a loss of $48m.

In addition, Mr Garvin said, losses on the minerals segment increased to $113m. The only brighter news outside the energy business was that Exxon's other operations segment – which takes in certain insurance activities as well as office systems – had earnings of $36m in 1982 compared with losses a year earlier of $43m.

● Atlantic Richfield, the U.S. oil group, reported net income down from $469.8m, or $1.86 a share, to $434m, or $1.70, in the fourth quarter of 1982. For the year as a whole, however, net income increased slightly to nearly $1.68bn, or $6.61 a share, against $1.67bn.

The main contributors to the year's figures included increased production of crude oil from the north slope of Alaska, higher prices for natural gas and improved earnings from refining and marketing. Offsetting these factors were higher exploration expenses, lower crude oil prices net of windfall profit tax and the continuing impact of the recession.

Getty Oil's net profits fell to $172.6m or $2.18 a share in the fourth quarter, from $216.5m or $2.63. Revenues fell to $3bn from $3.47bn.

For the year, earnings were also well down at $691.6m, or $8.61 a share, against $856.9m or $10.42. Revenues fell to $12.3bn from $13.2bn.

Fiat unit in robot link with Bendix

By James Buxton in Rome

COMAU, the production systems subsidiary of Fiat, has signed an important deal with Bendix of the U.S. which will give it greater access to the U.S. market.

The Italian company will take a 10 per cent stake in a new marketing company to be established in the U.S. in which Bendix will own 90 per cent. At the same time Bendix will take a 30 per cent stake in Comau, which is wholly owned by Fiat.

The new U.S. company will handle the sale of Comau's products through the Bendix network. The overall value of the deal is put at $30m.

Comau claims to be the most important European producer of automated production systems and robots, supplying other companies as well as Fiat. It says the deal with Bendix was originally proposed by the U.S. corporation.

Bendix recently became part of Allied Corporation and is a major producer of car components, aerospace equipment and machine tools. Its turnover is about $5.5bn. Comau last year accounted for the major part of the sales of Fiat's production systems division which totalled L484bn ($34.2m) up by 21 per cent on 1981.

Record car sales boosts Volvo earnings by 69%

BY DAVID BROWN IN STOCKHOLM

VOLVO, the Swedish car, engineering and trading group, has announced a 68 per cent boost in earnings, from SKr 1.4bn to SKr 2.4bn ($322m) in its preliminary report for 1982. Sales climbed 57 per cent to SKr 75.4bn and the group reported its best-ever car sales for the year, in a market which declined overall.

Fourth quarter earnings amounted to SKr 755m, compared with SKr 570m for the corresponding period of 1981, and SKr 464m for the third quarter.

Operating profit for 1982 jumped 69 per cent to SKr 2.84bn, from SKr 1.6bn, with most of the increase coming from automobile operations.

Exchange losses resulting from the write-up of foreign loans jumped from SKr 246m in 1981 to SKr 690m last year. Volvo includes exchange losses in their entirety in the period during which they occur, regardless of the terms of the loans. Higher losses in 1982 were due mainly to the 16 per cent devaluation of the Swedish krona in October.

The sale of oil rigs resulted in a gain of SKr 250m in extradordinary income.

The 1982 income of SKr 2.4bn corresponds to an estimated return on capital employed of 17 per cent. Estimated income per share in 1982, after the year's rights issue, was SKr 30.20 from SKr 24 in 1981. Calculated before the issue, 1982 income per share would be SKr 36.70.

The board will recommend a dividend of SKr 10 per share, compared with SKr 9 in the previous year.

A new earnings-based profit-sharing scheme will be applied for a test period, which includes part of 1982, and extends through to 1985. An estimated bonus of SKr 40m will be withdrawn from the 1982 income of SKr 2.4bn.

Cars were again a major part of Volvo's profit advance, with sales climbing 3 per cent to SKr 18bn. Deliveries of trucks continued to grow, despite weakness in the world market, with sales advancing by 22 per cent to SKr 14bn.

The largest sales advance, of 73 per cent to SKr 33.5bn, came in the energy companies. These include the Scandinavian Trading company's oil trading and exploration for oil and gas in the U.S.

Group capital spending during the year amounted to SKr 2.3bn, of which investment in new truck plant equipment was said to account for approximately SKr 1.2bn, and spending in energy companies for SKr 940m.

Group liquid assets at the end of the year totalled SKr 7bn, up SKr 1.5bn over 1981.

The market value of the shares portfolio was SKr 1.3bn, up by SKr 200m over 1981. At year's end, a new company, Investment AB Beijer, was formed within the Volvo group to take over the shares portfolio. Volvo is to sell shares in the new company to its shareholders

CGR in talks on technical accords

By David Housego in Paris

THE COMPAGNIE Generale de Radiologie (CGR), the loss making medical equipment wing of the Thomson electronics group, is negotiating new technical collaboration agreements with foreign partners in a bid to divest itself of a deficit that rose to FFr 500m to FFr 600m ($71m to $85m) last year.

The loss is equivalent approximately to the total loss for Thomson-CSF, its parent company, during the first half of last year. Thomson-CSF is now under state control, as a result of the nationalisation of the Thomson group last year. The CGR loss was on sales of about FFr 3.5bn.

Thomson has abandonned any idea of pulling out of the medical equipment sector, in spite of the drain this has imposed on its finances. This has been the result of employment considerations and the government's desire to maintain a French manufacturing strength in this area.

The new nationalised management of the company blames the losses on bad management in the past and on failure to keep abreast of recent technology. But steps have already been taken to slim down the 4,200 workforce.

Negotiations have been opened with Technicare, a subsidiary of Johnson and Johnson of the U.S. Thomson also says it is having talks with other European manufacturers.

Socal falls back on reduced demand

By Our New York Staff

STANDARD OIL of California's fourth-quarter earnings fell from $571m to $425m and revenues plunged by a third to $7.81bn.

The company said the setback was due to reduced demand for petroleum products, lower oil prices and the relatively high cost of Saudi Arabian crude lifted under long term contract.

Earnings for the year fell from $2.38bn to $1.38bn, or $4.03 a share. Revenue fell from $45.2bn to $35.22bn.

For the full year earnings included an inventory drawdown benefit of about $400m and a $39m foreign exchange gain.

These credits were partly offset by about $150m in non-recurring write-offs, including refinery closures in Europe, and the withdrawal from the synthetics business along with a tar sands project in Canada.

The company said that its U.S. petroleum earnings in the year were $983m, down 22 per cent from the 1981 level.

In contrast, Union Oil of California reported record net earnings for the year – a rise from $791.4m to $804m, or $4.63 a share. Total revenues for the year were a shade lower at just under $11bn.

Merck and Smithkline report improved full-year results

BY PAUL TAYLOR IN NEW YORK

MERCK and Smithkline Beckman, two leading U.S. pharmaceutical manufacturers, yesterday reported improved fourth quarter and full-year results, bolstered by higher drug sales despite the strength of the dollar.

Merck said that its net income in the fourth quarter increased by 8 per cent to $94.5m or $1.34 a share compared with $92.1m, or $1.24, in the final 1981 quarter on sales which increased by 4 per cent to $791.45m.

The company said that the adverse effect of exchange rates reduced the latest fourth quarter income by $32.1m, or 35 per cent.

For the full-year, Merck reported a 4 per cent increase in net earnings to $415.1m, or $5.61, on sales of $3.06bn, compared with $398.26m, or $5.36, on sales of $2.93bn in 1981.

Both sets of earnings, figures were in line with expectations.

The company noted, however, that the sustained weakening of other currencies against the dollar had a "significant, adverse impact on 1982 results." The company estimated that currency factors reduced 1982 sales by 8 per cent or $239.9m, and net income by $82.9m, or 21 per cent.

Mr John Horan, Chairman and chief executive, said: "Overall sales gains in 1982 reflect the continued strength of the company's newer major pharmaceutical products for human use, while unit volume sales of our older, established human pharmaceutical products were essentially unchanged from the prior year."

Smithkline-Beckman reported a 13 per cent increase in fourth quarter sales to $771.3m from $682.4m. It recorded a 12.6 per cent increase in pre-tax income and a 10 per cent increase in net earnings to $117.5m, or $1.42 a share, from $106.8m, or $1.29.

For the full year, Smithkline reported a 12.7 per cent increase in pre-tax income and a 12 per cent improvement in net earnings to $455.2m, or $5.51 a share, from $406.5m or $4.93, on sales which increased by 12.2 per cent to $2.97bn from $2.65bn.

Mr Henry Wendt, president and chief executive, said the company recorded substantial gains in ethical pharmaceuticals, eye and skin care and animal health care products, as well as in Geometric Data Corp and Beckman Instruments health care operations. These offset the effect of the poor economy on Beckman's industrial products operations and "the impact of lower foreign currency exchange rates on international sales in all our operations."

Marsh & McLennan advances

By Our Financial Staff

MARSH & McLENNAN companies, the largest insurance broker in the world, has reported a 16 per cent rise in net profits for the 1982 fourth quarter to $25.6m, or 74 cents a share, from $22.1m or 60 cents, a year earlier.

This brought full-year net profits to $120.4m, or $3.36, a marginal rise from 1981's $120.1m, or $3.27. The average number of shares outstanding at 1982 year end was 35.86m compared with 36.77m.

Revenues for the three months ended December were $219m against $205.8m which brought full year revenues to $942.3m against $846.8m at the end of 1981.

The effective tax rate was 51.7 per cent in the latest year compared with 50.1 per cent in 1981

Canadian state move to sell Crown Trust

BY OUR FINANCIAL STAFF

THE ONTARIO Government has introduced legislation in the provincial legislature which would give it power to dispose of Crown Trust, the 12th largest trust company in Canada and one of three whose assets were seized by the Ontario authorities earlier this month to protect depositors' interests.

Mr Robert Elgie, the provincial Minister of Consumer and Commercial Relations, said he feared that Crown could fold unless it got a massive infusion of funds. Prospective purchasers, several of whom have indicated an interest in the company, are unwilling to go ahead unless the Canada Deposit Insurance Corporation agrees to provide substantial new funds.

Mr Elgie told the legislature that CDIC had now agreed that it would be prepared to repay public deposits in Crown as they mature, provided that the Ontario Government arranged for the transfer of ownership to new shareholders acceptable to the federal agency. The only alternative, the Minister said, would be to wind Crown up.

Last weekend Mr Leonard Rosenberg, the controlling shareholder in Crown and in Greymac Trust, whose assets were also seized by the authorities, applied to the courts to have Crown placed in liquidation. No decision has yet been reached on whether he has the power to do so.

Bayerische Landesbank forecasts rise

BAYERISCHE Landesbank Girozentrale had an end-1982 balance sheet total of DM 96.2bn ($39bn) against DM 90.8bn a year earlier. Credit volume rose from DM 63.3bn to DM 66bn, Reuter reports from Munich.

The interest surplus was about DM 700m against DM 514m and the bank estimated that operating profit for the year would rise by about 30 per cent to DM 380m from DM 289m.

The bank said it would make considerably higher risk provisions on domestic and international credit business and will stock up reserves by more than the previoius year's DM 65m. It increased its capital by DM 50m to DM 800m from the beginning of the year.

Union Carbide down 78% but forecasts mild recovery

BY OUR NEW YORK STAFF

UNION CARBIDE, the third largest U.S. chemical producer, reported a steep fall in fourth quarter earnings – and the decline would have been even greater but for favourable non-operating items.

Net income in the final three months of the year fell 78 per cent to $30.2m. These figures included a net gain of $22.5m arising from an advance sale of uranium, and the favourable effects of lifo accounting adjustments arising from an inventory reduction programme.

Sales in the quarter fell 6 per cent to $2.28bn.

For the year as a whole net income fell to $309.7m, or $4.47 per share, compared with $649m, or $9.56 per share, in 1981. Sales for the year slipped 11 per cent to $9.06bn.

Mr Warren Anderson, Union Carbide's chairman and chief executive, said planned construction spending had been pruned sharply for both 1982 and 1983. Stocks and debtors had been cut to the point that short-term debt at the year-end had dropped to almost half what it had been at the end of the third quarter.

The company was expecting a mild economic recovery in 1983, Mr Anderson said, but since few concrete signs of a turnround were yet in sight, the impact on Union Carbide's first quarter would not be great.

● Like Union Carbide, Monsanto has bolstered its fourth quarter earnings with some big, non-operating items. Reported net income in the final three months of the year rose from $51.7m to $65.3m – but the latest period took in extraordinary gains of $23m.

$146m deficit at Crown Zellerbach

By Our Financial Staff

CROWN ZELLERBACH, one of the largest North American paper producers, reported a fourth quarter net loss of $146m, equal to $5.66 a share. It brings the loss for the whole of 1982 to $112m or $4.86 a share. In 1981 the group reported a profit of $75m or $2.47 a share with profits of $29m or $1.01 a share arising in the final period.

The latest heavy loss is not unexpected, since it stems primarily from the sale of the group's Canadian subsidiary and the restructuring of its domestic operations which caused previously announced unusual charges totalling $125m or $4.65 a share.

Sales in 1982 totalled $2.9bn against $3.1bn in 1981, with the fourth quarter contributing $714m against $769m previously.

Government backs Renault in effort to end car strike

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government yesterday weighed in to support the Renault management in a bid to get a return to production at the trouble-hit car plants on the outskirts of Paris.

The Ministry of Employment in a communique said that there were positive elements in the proposals put forward by management on Monday. These proposals included urgent discussions throughout the Renault group on specific grievances and an offer by the management to push for an industry wide review of the job classification system. This archaic system, which runs through the metal industry, is resented by workers as impeding promotion, training and better job prospects.

The Ministry of Employment warned that any solutions must take account of the impact of the international competitiveness of French industry and thus on industry's wage costs and productivity. It said that job re-classification could not be confined to the car industry but would have to be extended to the whole metallurgical sector if growing inequalities were to be avoided.

Unions appeared initially sceptical of the managements proposals. But in a further concession yesterday to end the dispute, the management at the Renault-Flins plant, where 10,700 workers are laid off, offered to compensate days lost by paying 70 per cent of normal salaries. The pro-Socialist CFDT union declared that there was nothing now in the management's proposals which could resolve the problems.

Singapore removes rule on banking interest

THE ASSOCIATION of Banks in Singapore (ABS) has given commercial banks greater freedom to compete with finance companies for deposits, AP-DJ reports from Singapore.

The ABS Council, a decision-making committee that comprises some of the biggest Singapore banks, has removed the restriction on computing interest paid on savings accounts, an ABS source said. Under the previous agreement, banks were required to compute interest for savings accounts on the minimum monthly balance.

Some Singapore bankers began to question this restriction when the aggressive Hong Leong Finance and its subsidiary, Singapore Finance, introduced their "savers-plus account" last March.

Interest paid by savers-plus accounts is computed on the daily balance. This can give a depositor a better yield than banks' savings accounts if his balance dips during a month as a result of withdrawals.

The banks say they can now compete with the finance companies on equal terms.

Commercial banks still control a much larger share of savings deposits than finance companies, but their savings deposits are growing more slowly. Official figures show that savings deposits with banks at the end of October 1982 stood at S$2.6bn (US$1.25bn), up 40 per cent from a year earlier.

Government to increase petroleum venture stake

BY KATHRYN DAVIES IN SINGAPORE

THE SINGAPORE Government is believed to be prepared to increase to 50 per cent from 28 per cent its stake in a S$210m ($101m) planned petrochemical venture in the Republic. The government's increased commitment to the project comes as part of an extensive reshuffle of shareholdings made necessary by the withdrawal of Mitsui Petrochemicals a year ago.

According to press reports here, the reorganisation of shareholdings will also bring four new Japanese shareholders, C. Itoh, Sumitomo Trading, Nissho Iwai and Tomen Menka, into a Japanese consortiun that will now hold 30 per cent of the total. The remaining three original shareholders are Mitsubishi, Nippon Shokubai, and Sumitomo.

The ramaining 20 per cent of the project, Ethylene Glycols (Singapore) is held by Shell Eastern.

Construction of the project is now to go ahead and is due to be completed by the end of next year. It will have an annual capacity of 10,000 tonnes of ethylene oxide and 87,500 tonnes of ethylene glycols.

The year-long unsuccessful search for new private partners to replace Mitsui has underlined the Singapore government's difficulties in attracting new petrochemical investment

E. F. Hutton profits ahead

By Our Financial Staff

SHARPLY HIGHER stock exchange trading volume in the final quarter helped the E. F. Hutton Group, the U.S. brokerage and investment banking firm, to increase profits and revenue.

Net profits in the final period surged nearly 73 per cent from $23.6m, or $1.27 a share, to $40.8m, or $2.13, on revenues up 25 per cent at $507.7m, compared with $405.1m.

The weakness in trading volume in the first half was reflected, however, in the full year figures, which were ahead by only 3 per cent at $81.1m, or $4.33 a share, against $78.8m, or $4.31, last year. Revenues moved ahead from $1.44bn to $1.6bn.

Setback for Control Data in year

CONTROL DATA, one of the biggest computer suppliers in the U.S., managed to scrape ahead in the fourth quarter, but still finished the year with lower net profits, Our Financial Staff writes.

The fourth quarter was boosted by a substantially lower tax provision as a result of higher than expected tax credits, some of which were associated with the previous year.

Profits for the period were $43.8m or $1.16 a share compared with the previous year's $42.9m or $1.12 on revenues marginally ahead at $1.15bn against $1.13bn.

This left earnings for the year 9 per cent lower at $155.1m or $4.11 a share against $170.6m or $4.48, with revenues just 4.6 per cent ahead at $4.29bn compared with $4.1bn.

The copany said sales of computer services and systems rose in 1982, but the increase was insufficient to offset a sharp decline in sales of peripheral equipment to other manufacturers.

Pre-tax earnings for the information services and products division declined to $141.6m from $198.1m on revenues of $3.3bn against $3.12bn.

The financial services division also declined at the pre-tax level to $78m from $93.1m, primarily as a result of higher casualty insurance underwriting losses.

● American Bell, the American Telephone and Telegraph subsidiary, and Chase Manhattan Bank, the third largest U.S. bank, announced an agreement which will enable American Bell to offer customers the option of purchasing terminals and other equipment from its advanced information system division with Chase Manhattan financing, writes Our New York Staff.

3M expects improvement this year

By Our New York Staff

3M COMPANY reported a moderate decline in earnings for the fourth quarter and the full year, but said it expected higher earnings in 1983.

The company, which makes a wide variety of products based on coating and bonding technologies, reported earnings for the year of $631m, or $5.37 a share, compared with $673m, or $5.74 a share, in 1981.

It said unit volumes in the U.S. fell about 1 per cent in the year. Elsewhere, volumes rose about 6 per cent.

The company again met its goal of generating 25 per cent of sales from products and services introduced in the last five years.

Net income fell 6 per cent in the fourth quarter of the year to $151m, and sales slipped by just over 1 per cent to $1.6bn. Sales for the year were marginally ahead at $6.6bn.

3M said sales for the year would have been about $350m higher but for the strength of the dollar.

Beecham in $70m U.S. takeover plan

BY CARLA RAPOPORT IN LONDON

BEECHAM, the major UK consumer products and pharmaceutical group, plans to buy DAP, a specialised DIY group in the U.S. for $70m in cash. The move will significantly expand the company's activities in the home improvement sector and push Beecham's sales in the U.S. to around $500m a year.

DAP, a wholly-owned subsidiary of Schering-Plough, the U.S. pharmaceutical group, had estimated sales last year of $88.5m and pre-tax profit of $9.2m. This compares with sales of $83.5m and profits of $8.3m in 1981.

Beecham said yesterday that DAP is the leading supplier of branded household sealants, caulks and fillers in the U.S. Collectively, Beecham said, these products account for about one-third of the total U.S. market in this area. The Ohio based company also manufactures and markets a range of speciality coatings and adhesives.

Beecham said that the acquisition was a "logical" extension of the company's interest in adhesives, based on its ownership of the UHU range of adhesives in the UK. Mr Ronald Stevens, group controller of Beecham, said that some of DAP's products may be introduced into the UK under the UHU brand name.

"The acquisition is likely to produce a beneficial exchange of research, technical and production knowledge between UHU and DAP," Beecham said.

DAP has some 650 employees and five factories around the U.S. The company's net tangible assets had a book value of $41m at September, 1982.

Beecham will be meeting the purchase price with $20m cash from its own resources and $50m in short-term U.S. dollar borrowings.

Beecham confirmed yesterday that it is looking for further purchases. "We would be interested in acquiring manufacturing and marketing companies, with good branches, in the home improvement products area, but we have no interest in the retail sector," Mr Stevens said yesterday.

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Loss widens for Eastern Airlines

By Our New York Staff

THE U.S. airline industry is still facing very difficult operating conditions, to judge by figures from Eastern Airlines, the first major company to report on its 1982 trading. Eastern lost $74.9m in the year, compard with a loss of $65.9m in 1981.

Moreover, these figures included a non-operating gain of $51.3m from the sale of income-tax credits on leasing transactions. The comparable figure in 1981 was just $29.8m.

Mr Frank Borman, Eastern's chairman and president, said that "although we showed a $23m improvement in fourth quarter operating results, Eastern still would have showed a net loss without a $20.2m increase in the sale of tax benefits.

"A 6.7 per cent traffic gain for the quarter was almost totally negated by poorly designed discounts initiated by competitors in some key markets," he added.

Eastern's fourth quarter operating revenues totalled $937.4m, up from $892.6m in 1981. Operating revenues for the year rose to $3.77bn from $3.78bn a year earlier.

Downturn in profits for APM at midway

By Michael Thompson-Noel in Sydney

AUSTRALIAN PAPER MANUFACTURERS, the paper and packaging concern, saw profits for the half-year to December 31 fall by 14 per cent, from A$31.6m to A$27.1m (US$26.4m) following reduced earnings in its pulp and paper divisions.

The interim dividend is held at 7 cents a share, though earnings per share dipped from 15.4 cents to 12.4 cents. Sales were moderately higher at A$539m against A$513m.

APM's performance was boosted by Containers, the company it acquired early in 1981 for A$194m, whose contribution was fully counted for the first time.

The directors said they had taken steps to reduce expenditure to combat the effects of the recession and substantial increases in labour and energy costs, as well as government charges. The current half-year, they added, would be a "continued period of difficult trading."

Profits for the last full year had been 14 per cent higher at A$63.3m.

APM said sharp increases in state government charges, particularly in Victoria and New South Wales, had added A$18m to group costs

Over the past six months, said APM, it had drawn down A$31m of its A$68m project finance facility and raised A$29m in *promisory note issues.*

Setback at Reckitt Australia

By Our Sydney Correspondent

RECKITT AND COLMAN Australia, which is 69.7 per cent UK owned, recorded a 32.5 per cent fall in profits for the year to October 31, to A$11.9m (US$11.6m), but the annual dividend has been maintained at *15.25 cents a share with a final* of 7.75 cents on capital increased by a one-for-ten share issue.

Group sales were 7.6 per cent higher at A$254m. Interest payments rose from A$3m to A$4.8m. Tax was A$9.1m against A$12.9m.

TDK below forecast with 6% increase in earnings

BY YOKO SHIBATA IN TOKYO

TDK ELECTRONICS, the world's largest manufacturers of magnetic tapes saw its consolidated net profits for the year ended November 30, 1982 rise by only 6.2 per cent, to Y29bn ($120m), considerably less than the forecast 20 per cent growth made in October.

Tougher competition in the video-tape market caused this levelling off in profits, says TDK. Sales over the same period were up 12.8 per cent at Y304bn. Profits per share were Y271.12 against Y260.89 previously.

During the year the overall growth of video tape recorder sales was only 20 per cent, compared with 115 per cent in 1980 and 62.8 per cent in 1981.

TDK, however, still managed to retain its dominant position in the market, capturing 35 per cent worldwide for video tapes and 25 per cent for audio-tapes. Sales of magnetic tapes, at Y130bn, accounted for half of *the company's turnover.*

Reflecting lower demand from consumer electronic goods producers, sales of electronic components were down. Sales of ferrite cores and magnets fell 2.3 per cent to account for 19.4 per cent of the total and ceramic components sales were 1.1 per cent lower, accounting for 9.7 per cent. However sales of coil components rose by 13.8 per cent, to account for 12.9 per cent of the total.

Overseas sales rose 28.7 per cent, to reach 43.5 per cent of the total, thanks to strong sales of VTR tapes, which in the overseas market accounted for 68 per cent.

In the current, fiscal year, the company expects to see the problems of over-supply and severe price-cutting competition to continue in the tape market. *It plans to offset falling prices* by making economies in production and by lifting the production of VTR tapes to 5m units a month by the spring of 1984 including its newly launched Mikumagawa (Kyushu) VTR tape.

The company is currently selling only 20 per cent of its video tapes under the TDK brand name, with the remaining 80 per cent sold on an original equipment manufacturer basis. In a bid to expand sales by publicising the TDK brand name, the company plans to expand the proportion of video sales under its own name to 40 or 60 per cent. The company is also to change its name to TDK Corporation.

Rise sought in bond coupons

THE UNDERWRITING syndicate for Japanese national bonds is asking for an increase in the coupon on the February issue of 10-year national bonds because of a recent deterioration in secondary market yields, Reuter reports from Tokyo.

The bond market has been falling sharply in the light of the weakening yen and the receding possibility of an early cut in the official discount rate.

The 7.5 per cent 10-year national bond due 1992 was *quoted at* 8.40 per cent today, against a 7.766 per cent yield on the new 7.5 per cent 10-year national bond issue

The coupon on 10-year bonds was cut in both December and January, by a total of 0.5 of a percentage point, reflecting the trend in the secondary market, but this direction has now been reversed

Mr Noboru Takeshita, the Finance Minister has said that the February issue terms will be set at a reasonable level, depending on market conditions.

However, negotiations with the Ministry on the February terms are expected to be difficult because a higher coupon implies a higher Japanese long-term prime rate, say members of the syndicate.

The Ministry, however, has approached the syndicate to assess its willingness to accept national bond issues in February on the same terms as in January.

The long-term prime rate is scheduled to be reduced by 0.2 of a percentage point to 8.4 per cent on January 28 in line with a 0.2 percentage point cut in the coupon on the January bond issue.

Expansion plans at Indian Rayon

BY R. C. MURTHY IN BOMBAY

THE *Birla-owned Indian* Rayon plans to double its sales to Rs 2bn ($205m) over three years. Indian Rayon is a multi-product company, producing cotton textiles, viscose-filament rayon yarn, caustic soda, reinforced rubber-lined hose pipes, insulators and bushings used in power transmission.

Mr Adiyya Vikram Birla, the chairman of Indian Rayon, says that the company is setting up a cement plant with 1.08m tonnes *capacity at a total cost of Rs* 815m in the southern state of Karnataka. The first stage will be *a plant of 540,000 tonnes* with the equipment being supplied by KHD Humboldt Wedage AG of West Germany.

Indian Rayon is also establishing a Rs 50m project for making condensor bushings, substation equipment and lightning surge arrestors.

The company has applied for government permission to set up a 20,000 tonne carbon black plant in the northern state of Uttar Pradesh and a Rs 100m *ceramics project in the western* state of Gujarat, using natural gas as fuel.

If this last project gets government approval it will be the first ceramics project to be set up by a large business house with assets of Rs 200m or more. So far the activities of such business houses are restricted to "core" industries which include sectors like cement and commercial vehicles, which the government considers essential to the Indian economy.

Indian Rayon has announced a public issue of Rs 210m con*vertible bonds at Rs 140 each.* The market price of its shares is Rs 78.

Liems to bid for new JFSH subsidiary

By Robert Cottrell in Hong Kong

JF SPECIAL HOLDINGS, the Hong Kong *investment trust,* plans to set up a subsidiary which will become a new holding company for the First Pacific group, if JFSH shareholders approve the reorganisation of the trust, and First Pacific succeeds with its subsequent bid for the new vehicle.

First Pacific is backed by two branches of the Liem family of Indonesia, which have banking and industrial *interests there.*

The JFSH offshoot is planned as a quoted Hong Kong holding company for First Pacific's non-financial interests. The Liems are currently negotiating the acquisition of a majority stake in a Dutch trading group, Hagemeyer. Hagemeyer would become the principal initial asset of First Pacific's non-financial group.

First Pacific was among some 13 institutions with which 45.7m JFSH shares were placed earlier this month when Hong Kong's troubled Carrian group sold its stake in the trust.

Under the proposed scheme for JFSH, the trust would spin off a new subsidiary with net assets of approximately HK$0.80 per share, with shareholders receiving one share in the offshoot for every existing JFSH share held. Subject to the Liems completing their Hagemeyer transaction, First Pacific would then bid for the newly-created JFSH offshoot at HK$0.80 per share, valuing the offshoot at HK$80m (U.S.$12m).

If the scheme goes ahead, JFSH shareholders will hold shares in the original trust carrying a residual net asset value estimated at HK$0.77 per share. Prior to the reorganisation proposals, JFSH shareholders had paid up HK$2 of a HK$3 par value for the shares.

Jardine Fleming, the merchant bank with which JFSH is associated, says it plans to reduce the final call on the JFSH shares from HK$1 to HK$0.50.

While First Pacific lines up the corporate structure to accommodate its planned non-financial interests, its quoted Hong Kong financial group expects soon to acquire the Hibernia Bank of San Francisco. The Hibernia Bank has been bought privately by the Liems in a US$100m deal. The plan is to inject Hibernia into First Pacific Holdings, and finance that acquisition by a rights issue, probably of more than HK$500m.

The restructuring of JFSH ends the first chapter of its 15-month-long and not particularly happy life. Against the background of a swingeing decline in the Hong Kong stock market as a whole, JFSH enjoyed a market capitalisation of around HK$75m prior to the suspension of its shares on January 5, against a paid-up capital of HK$200m.

It is not known how the assets of JFSH—*including* cash and second-line Hong Kong stocks—will be allocated between the two vehicles, other than that it is thought that any Carrian Investment shares which JFSH may own would not go into the spun-off vehicle.

Record financing for Elscint

By L. Daniel in Tel Aviv

ELSCINT, Israel's medical diagnostic equipment manufacturer, the shares of which are traded over-the-counter in the U.S., has concluded a financing issue of $30m on the U.S. capital markets. The issue represented the single largest capital financing undertaken by an Israeli company.

Underwriters included Shearson/American Express, Prudential Bache and Robertson, Colman and Stephens. The selling group included Merrill Lynch, Salomon Brothers, Lazard Freres, and Kuhn Loeb and the major part of the issue was bought by mutual and pension funds.

Malayan Cement to pay more after sharp advance

BY WONG SULONG IN KUALA LUMPUR

MALAYAN CEMENT, the investment company with interests in cement manufacturing and property, reports more than doubled profits for the year ended November 1982.

Group pre-tax profits were 38.2m ringgit ($16.7m) compared with the previous year's 18.7m ringgit. Profits after tax (including an extraordinary gain) were 35m ringgit compared with 10.6m ringgit.

The company is paying a final dividend of 14 cents on its 54m, one ringgit shares, making 22.5 cents for the year, against 15 cents.

Malayan Cement, *which is 60* per cent owned by the Blue Circle Group of the UK, said the strong earnings came largely from its 50 per cent stake in Associated Pan-Malayan Cement, the biggest cement maker in the country.

APMC, which has an annual capacity of 2.1m tonnes, has benefited from its 1.2m-tonne, fuel-efficient, dry kiln, which went into operation at Rawang two years ago. Last month APMC negotiated a 277m ringgit loan from a bank consortium to instal similar facilities at its plant at Kanthan.

Increased earnings for Malayan Cement also came from higher dividends from its 50 per cent owned Damansara Develop*ments, which has two* prestigious office blocks in Kuala Lumpur, and is currently building a 27-storey block in the city.

INTL. COMPANIES & FINANCE

Tatung fights back as sales fall

BY ROBERT KING IN TAIPEI

THE TATUNG COMPANY, Taiwan's largest manufacturer of electrical and electronic products, took a beating abroad during 1982, but overall achieved higher profits on decreased sales, against a background of cost-cutting measures.

Tatung, which manufactures a broad line of consumer and industrial products, ranging from rice cookers and refrigerators to telecommunications exchanges and computers —had losses of nearly £1m (U.S.$1.6m) last year at the former Decca television plant at Bridgenorth in the UK. It bought the plant 18 months ago from Racal for £1.24m. Although sales there reached nearly £19m (U.S.$30m) in 1982, its market share was only 4 per cent.

Across the Atlantic, things were not much better: sales at Tatung Company of America dropped from U.S.$50.5m in 1981 to $43m last year, and before-tax, profits were a scant 0.4 per cent of sales.

Things were slow even at home, and the company instituted a series of severe cost-cutting measures that convinced many an observer of the vigour of intention of Mr T. S. Lin, Tatung's Confucian chairman. Air-conditioning was forbidden. Taipei breezes would do at company headquarters; elevator use was discouraged; and inside lights were turned on only in the deepest darkness. Tatung telephones were even equipped with alarms to let personnel know they had talked longer than one minute.

At the same time, company accountants scrambled for ways to increase worker productivity, engineers grappled with the problem of making the same products with fewer or less costly materials, and designers struggled to come up with new products offering higher profit margins.

According to chairman Lin and his accounts books, Tatung won the war in 1982. Although sales at the company's far-flung empire dropped by 6 per cent to NT$19bn (U.S.$475m) during the year, pre-tax profits were up to 3.5 per cent of sales from 3.15 per cent the previous year. The success of the company's strategy has caused Mr Lin to set a sales goal of NT$21bn and a profit target of 4.5 per cent for 1983.

"One united thought among colleagues is very valuable," Mr Lin comments. The united thought could pay off not only for the group as a whole, but for each of its outposts, including the operations in the UK and in the U.S.

Taiwan's largest electronics company has undertaken stringent cost-cutting measures and sought to introduce new products

The former Decca television plant in Bridgenorth, for instance, had annual losses amounting to about 15 per cent of sales and commanded a market share of only 2 per cent when Tatung took over. Losses were trimmed to 5 per cent of sales by the end of last year, and market share doubled to 4 per cent. Sales were nearly £19m in 1982, and the company expects that figure to jump to £43m this year, with profits of £1.6m.

Similar optimism surrounds Tatung's American affiliate, which last year made 800,000 electric fans and about 40,000 colour television sets. Although pre-tax profits in the U.S. were less than US$200,000 in 1982, Mr Lin expects profits of $650,000 this year on sales of $65m.

Supporting this confident prediction for Tatung's U.S. affiliate is a projected tripling of television production to 120,000 units this year, along with an increased market share of 1.5 per cent there. The Tatung brand-name will appear on about 70 per cent of these sets. Still, electric fans, whose sales surged to $40m last year, with production containing an increased proportion of high-value ceiling fans, will remain the mainstay of the American facility.

Tatung will also defer for another two years the planned construction of a new plant near Atlanta, Georgia. The plant was financed partly by the issue of $5m in industrial revenue bonds three years ago, and was to have manufactured 10,000 colour television sets a month for sale to the U.S. market. But a sluggish demand for television sets resulting from the depressed U.S. economy has forced a postponement of those plans, and Tatung will hold onto the funds from the bond issue for another two years—the time limit set under the U.S. regulations—unless the economic picture there brightens considerably.

A managerial shortage also influenced the company's decision not to expand its operations in the U.S. at present. Tatung was forced to divert a number of trained Taiwanese managers from the project in Georgia (where it already operated a small plant making electric fans) to the UK for liaison purposes, and qualified replacements have been hard to find.

Overall, Tatung is stressing the development of new product lines with higher profit potential in its moves to maintain growth. With the cost of labour here increasing rapidly and competition in traditional assembly-related product lines on the rise, a simple increase in numbers of goods produced no longer meets this objective. Instead, Tatung is increasingly turning to industrial lines such as microcomputers, peripherals and telecommunications equipment, as well as profitable consumer goods such as video tape-recorders and microwave ovens, while continuing to manufacture traditional consumer and industrial products.

As an example of the shift in emphasis, sales of computer-related products increased more than 10 times in 1982 to roughly U.S.$4m. The company is making Viewdata and Teletext monitors in the UK on a contract basis for the British Post Office and has exported Taiwan-made microcomputers to several European countries.

In addition, in the last half of 1982 Tatung sold about 20,000 of its new VHS-system video recorders on the Taiwan market. Local sales of VTRs have been helped by a Taiwan Government ban on imports of Japanese-made devices and the company expects to sell 150,000 units this year. It also plans to begin manufacturing microwave ovens during 1983.

Ford studies Taiwan expansion plan

FORD MOTOR Company of the U.S. is considering expansion of its Taiwan manufacturing operations that could result in the export of large numbers of vehicles or components, writes Robert King.

Discussions on the project took place between Sir Brian Inglis, Ford's president of Asia-Pacific operations, and Y. T. Chao, Taiwan's Economics Minister, here last Friday.

The Ford proposal comes alongside an agreement between the Government and Toyota Motor Corporation of Japan to set up a large-scale plant here that will turn out 300,000 vehicles a year by 1944. The Ford plant would "co-exist" with the Toyota operation than compete with it, a Ford official says.

Under the plan, Ford would either manufacture cars for export or, if economic considerations prevent this, make components such as engines, again for export. The company's plant here last year exported 33,000 engines, although capacity now exists for 100,000 units a year. Should Ford decide to go through with the expansion, this capacity could be raised considerably.

No time frame for the project has been put forward, although a decision on whether to go ahead is likely to be made this year. The Taiwan Government is understood to be highly interested in the proposal and has, Ford says, offered investment terms "at least as good as those Toyota got.

Ford's Taiwan operation lost nearly U.S.$8m last year, largely because of discounting of vehicle prices forced by competition. It sold nearly 30,000 vehicles in Taiwan—or slightly more than half plant capacity here. The company expects to make a small profit this year, on the back of streamlined operations and introduction of new models.

APPOINTMENTS

Senior posts at Watney Mann

WATNEY MANN & TRUMAN BREWERS has made the following appointments. **Dr A. H. Button**, managing director, Watney Combe Reid, joins the board. **Mr Keith Holloway** becomes commercial director. He joins the company from Limas, where he was managing director. He has previously been deputy chairman, Schweppes, and managing director Timex marketing and sales (Europe, Middle East and Africa). **Dr Francis J. Pocock** is appointed operations director. **Mr David J. Downes** is made finance director. He was previously financial controller.

★

Mr P. J. Reynolds, chief executive of the international trade finance division which TOZER KEMSLEY & MILLBOURN (HOLDINGS) sold to The Hongkong and Shanghai Banking Corporation last year, is leaving the board of Tozer Kemsley.

★

MIDLAND BANK INTERNATIONAL has established a correspondent banking unit and a corporate banking unit, as part of its reorganised management structure. **Mr Peter J. W. Taplin**, assistant general manager, has been appointed controller of correspondent banking. **Mr Alan R. Barber** has been appointed controller of corporate banking.

★

At the ISLE OF MAN TOURIST BOARD, **Mr David Martin** becomes vice-chairman and **Mr Ian Anderson** joins the board.

★

W. VINTEN has appointed **Mr William Fraser** as engineering director. He was general manager of the Sperry Gyroscope plant in Bristol.

★

MANUFACTURERS HANOVER TRUST COMPANY has appointed **Mr William Penman Brown** and **Mr Keith W. Pamplin** to vice-president, and **Mr Richard Badman** to assistant vice-president of Manufacturers Hanover Bank (Guernsey).

★

Mr Thomas Dawson Lynch has been appointed by GLASGOW UNIVERSITY to be visiting professor of taxation for three years from January 1. He is senior tax partner, Scotland, of Ernst & Whinney, and Scottish secretary of the Institute for Fiscal Studies.

★

Major Edward Brownsdon has retired as chairman of the ISLE OF MAN STEAM PACKET COMPANY and has also retired as a director. Replacing him as chairman is former general manager **Mr S. R. Shimmin** who retired from that appointment in December. **Dr Ewan Corlett** a naval architect and **Mr Andrew Alexander** have been appointed joint deputy chairmen. **Mr B. A. Holt** joins the board. He was suggested by the Manx government which is the largest single shareholder in the company.

★

Mr Paul Grace has been appointed an assistant general manager of SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY. He retains his post as actuary of the Society. **Mr David Kirkpatrick** has been promoted to chief investment manager and joins the Society's executive. **Mr David Henderson**, the Society's accountant, also joins the executive.

★

HILL SAMUEL LIFE ASSURANCE has appointed **Mr Craig Bennett** as systems director from February 1. Mr Bennett is systems development manager at Crusader Insurance.

★

HIRAM WALKER INTERNATIONAL has made the following appointments: **Mr David J. Evans** has become managing director and chief executive. **Mr Edward P. Stahl** and **Mr Mark Butterworth** have been made vice-presidents and regional directors. Mr Evans was director of marketing. Mr Stahl was manager of the Far East division based in Tokyo and Mr Butterworth manager of the European division based in Brussels.

★

Mr Alan M. Dexter has been appointed the chief executive of COMMUNITY HOSPITALS.

★

Mr Simon Wainman has been appointed assistant managing director of WALTER JUDD and **Mr J. Julian Judd** has been appointed a director.

★

Mr P. C. Worsfold, an assistant general manager of Royal Insurance (Int.), is to be appointed assistant general manager of the INSTITUTE OF LONDON UNDERWRITERS from April 1.

★

The UNITED STATES EMBASSY in London has appointed **Mr Gerald M. Marks** as its new counsellor for commercial affairs. He directs the U.S. International Marketing Center, a showcase for American products. The new Counsellor is a member of the Foreign Commercial Service of the U.S. Department of Commerce and was formerly director of the Commerce Department's Chicago office.

★

Dr Stuart Timperley, director of the Centre for Management Development at the London Business School, has been elected a non-executive director of INTASUN LEISURE GROUP. Dr Timperley has been a director of Freightliners since 1978.

★

SPERRY CORP has appointed **Mr Brian W. Craig** as director of marketing, Europe for the marine systems unit of its electronic systems operations. He was general manager responsible for marine systems in the UK and Scandinavia. His successor is **Mr C. L. (Les) Oxenham**, who joined Sperry in 1974 and moves up from his previous post as regional marketing manager.

★

Mr N. D. Campbell has been appointed to the board of MEDEX INTERNATIONAL CORPORATION representing Sarasin International Securities.

★

Mr I. F. Smith has been appointed a director of TRAFFORD PARK ESTATES.

★

Mr Stephen Rocke, director and general manager of BRABY ECONOMIC APPLIANCES, is appointed managing director. Braby Economic Applicances is a member of the domestic products division of Braby Leslie.

★

Mr Terry Griffiths has joined the board of HITECH FILTER as managing director responsible for world-wide sales. Mr Griffiths was formerly with the Nimslo 3D venture.

★

LEGAL AND GENERAL ASSURANCE SOCIETY has made the following appointments: **Mr K. R. Hall**, manager (pensions sales), to be manager (managed funds); **Mr G. E. West**, controller (life specialist sales), to be manager (pensions sales); **Mr J. M. Kidner**, regional manager (metropolitan), to be manager (life consultancy); **Mr M. P. Labrow**, area life manager (West End), to be regional manager (metropolitan); **Mr A. W. Small**, controller (life sales), to be manager (life sales).

★

Mr Brian Mills has been appointed sales director of P. I. CASTINGS (ALTRINCHAM), a subsidiary of the P. I. Castings Group, based in Altrincham. Mr Mills was general sales manager of the investment casting subsidiary.

★

Mr T. A. Newton has been appointed general manager and director of MYSON RYDERS, a member of the Myson Group.

★

Mr Gerald Clerehugh has been appointed director of research designate at BRITISH GAS headquarters, from February 1. He will become director of research on March 1, succeeding **Dr John Gray**, who is retiring. Mr Clerehugh has been director of British Gas's on-line inspection centre since 1978.

★

Mr R. M. Ringwald has been appointed a non-executive director of BRIDON. He is chairman of Laporte Industries (Holdings) and is also a non-executive director of Staveley Industries. **Lord Barber** has resigned as a non-executive director. He is chairman of Standard Chartered Bank and a director of The British Petroleum Company.

★

Mr Alan P. Wilson has been appointed retail division director of JAMES HALSTEAD, floor covering subsidiary of the James Halstead Group.

UK COMPANY NEWS

Security group in new U.S. expansion

By Charles Batchelor

SECURITY Centres Holdings, the burglar and fire alarm group, has acquired full control of a security company in Miami, Florida, in the second expansion of its U.S. interests within a week.

Security Centres has increased its holding in Gibraltar Central Security Corporation from 40 to 100 per cent for an undisclosed sum.

The UK group already had control of Gibraltar through its holding of preference shares but has now bought out the three principal shareholders to consolidate its interest. Two will stay in an executive role and one as a consultant, Security Centres said yesterday.

On Friday it announced the purchase of Burglar Alarms Company (Baco) of Queens, New York for a sum believed to be around $500,000 cash.

Baco will add about $275,000 of recurring revenue annually to the National Guardsman monitoring station in Brooklyn acquired in December by Security Centres.

The company is now adding extra capacity to its New York control centre through acquisitions funded by the £7.75m raised at the time of the Guardsman purchase, said Mr Tom Forrest, the managing director.

The Guardsman centre has the capacity to handle 14,000 alarm installations. Baco will add 1,000, taking the total at present in use to 5,500. Capacity for another 10,000 could be added quite cheaply, Mr Forrest said.

"We gain the benefit of extra volume going into our fixed station," he added. "The margin on what we add on is pretty enormous."

Security Centres has no immediate plans to extend its geographical coverage of the U.S. beyond these two centres.

NON-BREWING OPERATIONS GO IN £48m RATIONALISATION

Guinness hit by disposal costs

BY OUR FINANCIAL STAFF

ARTHUR GUINNESS and Sons, the brewing group, pushed its pre-tax profit up from £41.8m to £49.4m for the year to September 30 1982 "on a comparable basis." But after extraordinary charges of £48.7m taken below the line, shareholders are left with an attributable loss of £26m and a decrease in their equity of £45.4m.

The Earl of Iveagh, chairman, explains that a number of bold and unpleasant decisions had to be taken to put the company on a steady course for the future. "A remarkable amount has already been achieved but there remains much to be done. I am confident, however, that we can look forward to further progress in the current year," he says.

The final dividend is 3.65p for a net total of 5.225p, compared with 4.9p the year before. Earnings came out at 12.9p, against 9.4p.

This year there is an "extension period" which arises on the co-termination of the year ends to September 30 of the company and all its principal subsidiaries. This effectively adds £1.5m to pre-tax profits, giving a total of £50.9m: and £82.2m to sales bringing them up to £1.04bn.

■ ARTHUR GUINNESS
Brewing, food and drink distribution

Year to Sept 30	1982	1981
	£	£
Sales	1.04bn	905.6m
Pre-tax profit	50.9m	41.8m
Tax	20.7m	19.1m
Attributable profit	26m*	6.7m
Earnings per share	12.9p	9.4p
Dividend	5.23p	4.9p

* Loss

Above the line exceptional costs comprise brewing reorganisation at £13.2m, less profit on the sale of investments and assets £6.6m – brewing £5.3m and non-brewing £1.3m.

The below the line extraordinary debits of £48.7m reflect the write-downs and provisions arising from the decision to carry out a major rationalisation of non-brewing activities. They include £7.9m for the disposal of non-brewing companies during the year and £25.8m relating to provisions for future disposals. Terminal costs and provisions of £15m have been provided for film finance and distribution following the decision to curtail involvement in this activity.

In order to arrest the steep profit decline in the non-brewing business, the management undertook an urgent review of each trading operation.

Decisions were made to dispose of those businesses which were identified as either loss making or as having inadequate potential for earning satisfactory returns. Some 40 such companies have already been sold, realising more than £19m, which has contributed to the £30m reduction in the company's net debt.

In the brewing group, the performance has improved against a background of difficult trading conditions. Immediate attention has been focussed on improving controls, containing costs and strengthening management resources to provide a firm base for future growth.

Sales on a "comparable basis" rose from £905.6m to £961m and were split as follows: UK £419.3m (£404.6m); Republic of Ireland £295.3m (£282.1m); overseas £246.4m (£218.9m).

Profit before tax and central costs came to £61m (£52.5m), comprising: UK £13.8m (£4.5m); Republic of Ireland £24.6m (£30.1m); overseas £22.6m (£17.9m). Brewing accounted for £59.5m (£59.4m), non-brewing £4m (nil), and discontinued during the year loss £2.5m (£6.9m).

The tax charge has been reduced by £2.4m (£2.7m) as a result of not providing in full for deferred tax. Advance corporation tax of £10.6m (£1.1m) previously written off has been recovered in the current year.

At the year end ordinary stockholder's equity had been reduced from £242.5m to £197.1m. Net current assets excluding liquid funds stood at £20m (£69.1m) and cash and deposits at £58.8m (£53m), less bank overdrafts and short term loans £38.4m (£42.3m).

Scottish Provident lifts bonus

BY ERIC SHORT

WITH-PROFIT policyholders in Scottish Provident Institution are getting their bonuses enhanced in 1982 by the payment of a special additional bonus on top of the normal reversionary bonus.

For immediate profit assurances, the normal reversionary bonus is maintained at £5 per cent of the sum assured and attaching bonuses. The special bonus is £5 per cent of attaching bonuses, excluding those declared for 1982.

On self-employed and executive pensions the reversionary bonus stays at £7 per cent of the basic benefit and attaching bonuses, with a special bonus of £7 per cent of attaching bonuses.

The with-profit funding plan has the bonus maintained of 120 per cent of guaranteed increments, with a special additional bonus of 30 per cent of guaranteed increments earned in 1982.

Interim reversionary bonus rates are maintained at the above rates without the special addition.

SPI point out that the special additional bonus has the most beneficial effective for the longer duration contracts. A policy in force for 10 years will have its value increased by 9 per cent, while a policy in force for 30 years the increase will be 29 per cent. Mr Joe Macharg, general manager of SPI, stated that the company was passing on to policyholders the benefits of the recent very high investment profits in the form of permanent additions to contracts.

National Provident Institution has kept the reversionary bonus rate on life policies issued since 1976 at £4.65 per cent of the sum assured and attaching bonuses. Rates for policies issued prior to 1976 are also maintained at £6.80 per cent of the sum assured for whole life contracts, £6.30 per cent simple for endowments maturing at age 70, £5.80 per cent simple for endowments maturing at age 60 and £5.55 per cent for endowments maturing at age 50 or less.

Bonus rates are also unchanged on the self-employed retirement plan at £6.65 per cent compound for the new series

Teck placing to bring in over C$26m

CANADA's Teck Corporation will receive more than C$26m from the private placement of 2.5m class B common shares. The company incurred a loss of C$17.7m, or 76 cents per share, before extraordinary items in the year to September 30, compared with a net profit of C$11.3m in the previous year. The latest loss is increased to C$31.9m by the inclusion of extraordinary write-downs.

● America's Phelps Dodge, which is also issuing further shares, incurred a net loss of $64.8m in the first nine months of last year, compared with a net profit of $56.9m in the same period of 1981.

Macarthys slips to £1.67m at mid-year

By Our Financial Staff

MACARTHYS Pharmaceuticals' group pre-tax profits slipped to £1.67m from £1.92m for the six months to the end of October 1982.

Sales of this wholesale and retail chemist group improved from £98.75m to £128.92m.

Business since the end of October has been reasonably buoyant in most divisions, says Mr A. R. Ritchie, chairman, and forecasts for the final six months indicate an equivalent, or slightly improved, profit compared with the results for the first half.

In the last full year pre-tax profits stood at £4.09m on sales of £215.11m. The directors said previously that the current year had started well and that the following 12 months should produce an increase in group profits.

The net interim dividend has been held at 2p–last year a final of 5p was also paid. Earnings per 20p share for the six months were shown as slipping from 10p to 8.3p.

The reduction in profits, says Mr Ritchie, can be attributed mainly to the trading results of the pharmaceutical distribution and retailing divisions. In distribution sales increased more than 34 per cent and market share has been substantially improved.

He points out, however, that the reduction of 16 per cent in profits was because of extreme pressure on trading margins and increased costs.

In retailing Mr Ritchie says that sales increases are difficult to achieve in today's economic climate and there has been a noticeable reduction in the sales volume of the more expensive high-margin items. Additionally the gross margin received on National Health Service dispensing continues to decline.

The manufacturing and veterinary divisions have continued to perform well, but the protracted dispute in the NHS hospital service has held back sales and reduced profits in the surgical division. Mr Ritchie says this business should resume a more normal pattern.

Sales and profits were struck after deductions for sales between divisions of £6.48m (£6.21m), group management costs of £278,000 (£286,000) and a staff bonus of £219,000 (£246,000).

After tax of £571,000 (£590,000) and preference payments of £14,000 (same) available profits emerged down from £1.32m to £1.09m.

Mercantile House profits jump £7m to £13m midway

BY OUR FINANCIAL STAFF

MERCANTILE House Holdings, the international financial services group, has pushed up its pre-tax profits from £6.11m to £13.06m for the six months to October 31 1982. The result includes a six week contribution from Oppenheimer Holdings, acquired last August.

The interim report reveals that the group's operating results are continuing to reflect satisfactory trading conditions.

Stated earnings per 25p share emerged well ahead at 25.7p (18.2p). The net interim dividend is being increased by 1.5p to 5p – a final of 10.5p was paid for the 1981/82 year.

Group sales for the half year expanded sharply from £31.7m to £75.24m. Tax took much more at £6.55m, compared with £3.22m – minority interests last year accounted for £2,000.

At the annual meeting last August shareholders were told that trading for the year had started satisfactorily and that the group had considerable scope for expansion and growth.

It was pointed out that these prospects would be very much enhanced by the acquisition of Oppenheimer.

■ MERCANTILE HOUSE HOLDINGS
International financial services

Half-year to Oct 31	1982	1981
	£	£
Sales	75.24m	31.7m
Pre-tax profit	13.06m	6.11m
Tax	6.55m	3.22m
Attributable profit	–	–
Earnings per share	25.7p	18.2p
Dividend	3.5 p	3.5

Second strong half lifts Glass Glover over £1m

BY OUR FINANCIAL STAFF

GLASS GLOVER Group, food distributor and importer of fresh fruit and vegetables fulfilled its directors' expectations with second half taxable profits which exceeded those of the previous year. For the 12 months ended September 30 1982, the figure was 45.5 per cent ahead at £1.26m compared with £868,648. Sales rose by 36 per cent from £43.86m to £59.67m.

Profits at halfway were £492,000 (£247,000).

Current trading is satisfactory, prospects for the rest of the 1982/83 year are favourable and the group continues to grow in strength, the directors state. Accordingly, despite the unfavourable trading environment, which depressed profits in the first quarter, they believe the group will again achieve satisfactory results for the whole year.

Mr Harry Glass, chairman, says trading conditions during the first nine months of the year were excellent, but from mid-July conditions in the fruit trade deteriorated and the trading environment, since August, has been difficult.

He explains that this was mainly due to an over-production of apples throughout Europe, which depressed the value of all fresh fruit.

But he adds that the difficult conditions of the past few months have now eased, and current trading is satisfactory.

Mr Glass points out that there is every indication that fresh produce sales throughout the supermarket sector continue to increase, as does the group's participation in that business. He says that income from distribution activities is expected to grow in the current year, with the new Newbridge depot contributing ahead of schedule.

Operating profits for the year were well ahead at £1.32m, against £841,457, and the pre-tax figure was after interest on deposits, less overdraft and loan interest, of £51,830 (£27,191 credit). Tax charge was £663,855 (£467,014) after which earnings are shown as 9.14p (6.5193p) per 5p share.

The dividend is stepped up to 3p (2.5p) net, with a final payment of 1.875p (1.7p), which will absorb £202,500 (£140,625).

RESULTS IN BRIEF

■ MACARTHYS PHARMACEUTICALS
Manufacture and distribution of pharmaceutical, surgical and veterinary products

Half-year to Oct 31	1982	1981
	£	£
Sales	128.92m	99.75m
Pre-tax profit	1.67m	1.92m
Tax	571,000	590,000
Attributable profit	1.09m	1.32m
Earnings per share	8.3p	10p
Dividend	2p	2p

■ PICCADILLY THEATRE
London Theatre

Year to Sept 30	1982	1981
	£	£
Sales	158,000	239,000
Pre-tax profit	43,000*	129,000
Tax	21,000†	71,000
Attributable profit	50,000*	65,000
Earnings per share	2.5p*	6.5p
Dividend	1p	3p

* loss † credit

■ RANK ORGANISATION
Manufacture of office equipment, industrial and consumer products, hotels, cinemas, North Sea oil & gas services, property

Year to Oct 31	1982	1981
	£	£
Sales	675.18m	618.4m
Pre-tax profit	61.52m	102.78m
Tax	33.7m	44.22m
Attributable profit	4m	51m
Earnings per share	12.8p	25.9p
Dividend	8p	10.8p

■ LLOYDS & SCOTTISH
Finance and leasing group

Year to Sept 30	1982	1981
	£	£
Sales	–	–
Pre-tax profit	10.7m	29.2m
Tax	314m	6.3m
Attributable profit	8.4m	67.7m*
Earnings per share	6.52p	58.43p*
Dividend	3.87p	5.57p

* Including exceptional credit of £44.8m for deferred tax no longer required

BASE LENDING RATES

A.B.N. Bank	11 %	Gulf G'tee Trust Ltd.	12 %
Allied Irish Bank	11 %	■ Hambros Bank	11 %
Amro Bank	11 %	Hargrave Secs. Ltd.	11 %
Henry Ansbacher	11 %	Heritable & Gen. Trust	11 %
Arbuthnot Latham	11 %	■ Hill Samuel	§11 %
Armco Trust Ltd.	11 %	C. Hoare & Co.	†11 %
Associates Cap. Corp.	11 %	Hongkong & Shanghai	11 %
Banco de Bilbao	11 %	Kingsnorth Trust Ltd.	12 %
Bank Hapoalim BM	11 %	Knowsley & Co. Ltd.	11½%
BCCI	11 %	Lloyds Bank	11 %
Bank of Ireland	11 %	Mallinhall Limited	11 %
Bank Leumi (UK) plc	11 %	Edward Manson & Co.	12 %
Bank of Cyprus	11 %	Midland Bank	11 %
Bank Street Sec. Ltd.	10½%	■ Morgan Grenfell	11 %
Banque Belge Ltd.	11 %	National Westminster	11 %
Banque du Rhone	12 %	Norwich Gen. Tst.	11 %
Barclays Bank	11 %	P. S. Refson & Co.	11 %
Beneficial Trust Ltd.	12 %	Royal Trust Co. Canada	11 %
Bremar Holdings Ltd.	12 %	Roxburghe Guarantee	11½%
Brit. Bank of Mid. East	11 %	Slavenburg's Bank	11 %
■ Brown Shipley	11 %	Standard Chartered	‖11 %
Canada Perm't Trust	11½%	Trade Dev. Bank	11 %
Castle Court Trust Ltd.	11½%	Trustee Savings Bank	11 %
Cayzer Ltd.	11 %	TCB	11 %
Cedar Holdings	11 %	United Bank of Kuwait	11 %
■ Charterhouse Japhet	11 %	Volkskas Intl. Ltd.	11 %
Choulartons	11½%	Westpac Banking Corp.	11 %
Citibank Savings	¶9 %	Whiteaway Laidlaw	11½%
Clydesdale Bank	11 %	Williams & Glyn's	11 %
C. E. Coates	12 %	Wintrust Secs. Ltd.	11 %
Comm. Bk of N. East	11 %	Yorkshire Bank	11 %
Consolidated Credits	11 %		
Co-operative Bank	*11 %		
The Cyprus Popular Bk	11 %		
Duncan Lawrie	11 %		
E. T. Trust	11 %		
Exeter Trust Ltd.	12 %		
First Nat. Fin. Corp.	13 %		
First Nat. Secs. Ltd.	12½%		
Robert Fraser	12 %		
Grindlays Bank	‡11 %		
■ Guinness Mahon	11 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8%. 1-month 8.25%. Short-term £8,000/12-months 10.6%.
† 7-day deposits on sums of: under £10,000 8%, £10,000 up to £50,000 8¾%, £50,000 and over 9½%.
‡ Call deposits £1,000 and over 8%.
‖ 21-day deposits over £1,000 9%.
§ Demand deposits 8%.
¶ Mortgage base rate.

WWF/Nancy Nash

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1982-83 High	Low	Company	Price	Change	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
134	120	Ass. Brit. Ind. Ord.	134	—	6.4	4.8	7.8	10.2
152	117	Ass. Brit. Ind. CULS	152	—	10.0	6.6	—	—
74	57	Airsprung Group	66	—	6.1	9.2	7.5	12.9
46	38	Armitage & Rhodes	37	—	4.3	11.6	4.2	7.3
290	197	Bardon Hill	290	—	11.4	3.9	12.2	15.3
123	100	CCL 11pc Conv. Pref.	123	—	15.7	12.8	—	—
270	240	Cindico Group	243	—	17.6	7.2	9.8	11.0
86	58	Deborah Services	58	—	6.0	10.3	3.8	10.4
154	125	Frank Horsell	154	+1	7.9	5.1	6.5	8.9
83	61	Frederick Parker	67	+1	6.4	9.6	3.4	6.5
85	36	George Blair	36	—	—	—	6.2	13.0
100	75	Ind. Precision Castings	75	—	7.3	9.7	9.6	12.1
135	100	Isis Conv. Pref.	135	—	15.7	11.6	—	—
129	94	Jackson Group	129	+2	7.5	5.8	4.0	8.2
172	111	James Burrough	172	—	9.6	5.6	12.6	14.0
280	170	Robert Jenkins	170	—	20.0	11.8	1.9	27.0
83	54	Scruttons "A"	73	—	5.7	7.8	9.5	11.4
167	117	Torday & Carlisle	117	—	11.4	9.7	5.2	9.0
29	21	Unilock Holdings	26	+1	0.46	1.8	—	—
86	71	Walter Alexander	74	—	6.4	8.6	5.3	7.6
257	214	W. S. Yeates	257	—	14.5	5.6	6.7	13.5

Prices now available on Prestel page 48146.

COMPANY NEWS

Bassishaw offer for UDS held up by Takeover Panel

BY RAY MAUGHAN

THE TAKEOVER Panel has intervened once again in the course of the £191m cash bid by Bassishaw Investments for the UDS retailing group.

Bassishaw's formal offer document, published last week, contained a provision requiring that general proxies be given enabling Bassishaw to vote accepting shares at any UDS general meeting as it thought fit over a period of up to four weeks after the final date of the offer, so long as it had not lapsed.

As with its attempt last week to insert as a condition of its bid the stipulation that UDS should not sell any assets, Bassishaw has been blocked by the Panel. The effective freeze on asset disposals Bassishaw sought a week ago demands the agreement of both sides and UDS, not surprisingly, was unwilling to concur.

Now the provision entitling Bassishaw to vote any accepting shares is, the Panel has decided "inconsistent with rule 8 of the City Code." The Panel further found that "the use of proxies as an integral part of a shareholder's acceptance of an offer is undesirable unless the proxy is given in respect of a specific proposal and cannot become effective before the offer has become otherwise unconditional."

The form of acceptance contained in the original offer, the Panel said, should be withdrawn and an explanatory circular should be sent to all UDS shareholders enclosing a fresh form of acceptance.

Bassishaw should be in a position to comply with this ruling later this week and the bid will therefore not reach its first closing date until three weeks from then. In its original form the bid was scheduled to close on February 10 and the delay now imposed by the Panel gives UDS, headed by Sir Robert Clark, additional time to negotiate the disposal of assets which Bassishaw has twice attempted to forestall.

It is becoming increasingly certain this week that the Burton Group is poised to play a considerable part in the rationalisation of UDS and, perhaps, its continued independence. Burton, the Top Shop, Top Man and Dorothy Perkins retail clothing chain, headed by Mr Ralph Halpern, confirmed last week that it would be "very interested" in buying UDS' Richard Shops womenswear division and that interest has now been converted to detailed negotiations on the purchase of the 217 Richards Shops and as many as 150 John Collier menswear coutlets.

Richard Shops has book value of some £25m and Sir Robert Clarks confirmed yesterday that the likely asking price for the entire package would be between £40m and £50m.

Terms have not been finalised, although it is understood that UDS will seek Burton equity for a substantial proportion of the consideration to ease the tax liability arising from any distribution to its shareholders.

Referring yesterday to the enforced extension to the Bassishaw bid, Mr Halpern said: "We have gone so far down the line that the extra weeks only give us more time to prepare our bid more thoroughly."

He felt that UDS' disposal of the bulk of its multiple stores interests was "exactly the right thing to do." Burton, he believed, had the expertise to restore profitability to these interests which, in turn, would give Burton additional medium-term growth potential.

He was confident, too, that the combined market share of clothing multiples would not be sufficient to attract a reference to the Monopolies Commission.

AMERICAN RESOURCE GIANTS HOPE FOR UPTURN

A year they would rather forget

BY KENNETH MARSTON, MINING EDITOR

THE NORTH American natural resource giants have entered their quarterly reporting season with results for the final quarter of 1982. Inevitably they do not make happy reading against the background of depressed markets and prices for metals in the period, although there is now the hope that the worst may be over.

It is not easy to detect in the case of America's Phelps Dodge which was forced by poor market conditions to close down all its copper mines and suspend production at its three Arizona smelters in April.

This allowed the company to run down its surplus stocks, however, with the result that in October it was able to reopen its Morenci copper mining complex in Arizona. There are *no immediate plans to* reopen the other mines although the matter remains under review.

Phelps, helped by the receipt of $28.8m (£18.7m) from the sale of tax benefits, sharply reduced its fourth quarter loss to $9.5m, bringing the year's total loss to $74.3m compared with a profit of $69.3m for 1981. The latter figure, however, is before a final quarter credit which lifted the total net profit to $69.3m.

As a major producer of nickel, Canada's Falconbridge had a particularly hard time in 1982 with losses rising progressively each quarter to reach C$29.3m (£15.4m) in the final three months.

This brought the year's total net loss to C$85.3m, or C$17.12 per share. For 1981 there was a loss of C$3.9m to which was added an extraordinary debit of C$5.1m arising from write-offs.

Falconbridge points out that its poor results reflect substantially lower sales of nickel, low prices for all its metals and higher working costs. A hopeful strain in the wind is that limited operations have been resumed at its Sudbury nickel complex which was closed down in June and also at the refinery in Norway.

Thanks to its uranium and oil and gas interests Canada's Denison Mines has come through 1982 remarkably well. Higher income from these sources has offset lower gains on sales of investments and interests in minerals with increased depreciation and interest costs.

As a result 1982 net profits have declined 19 per cent to C$50.6m from C$62.4m in the previous year.

Looking ahead Mr Stephen Roman, the Chairman, expects continued growth in income from the energy operations together with other resource projects which have yet to be brought on stream.

These include the Koongarra uranium deposit in Australia and the big potash deposit in New Brunswick. The latter is believed to be commercially feasible and a decision on whether to take it to production is expected to be made early this year.

The other big development is the C$1.3bn Quintette coal project in British Columbia which is expected to come into production at the end of this year. All production has been sold unter 15-year contracts.

Loan facilities of C$950m have been agreed with an international syndicate comprising 55 banks.

Black Mountain out of red

THE BLACK Mountain lead-copper-zinc-silver operation in South Africa's north-west Cape managed to get out of the red in the December quarter.

Although sales were lower – they vary each quarter in line with dates of shipments – the mine received better prices for its copper and zinc and a sharp increase for the silver.

As a result there was a modest net profit in the quarter of R260,000. This still left Black Mountain with a net loss for 1982 of R3.72m compared with a net profit of R28.55m in 1981. The company is 51 per cent-owned by Gold Fields of South Africa and 49 per cent by Phelps Dodge.

Of the Gold Fields group's other South African base-metal interests Rooiberg Tin also did better in the December quarter of last year but this was largely a result of a lower tax charge.

BH South sells CRA holding for A$49m

BH SOUTH, the Australian mining and investment house in which Western Mining has an 80 per cent stake, announces that since December 16 it has sold its holding of 14.3m shares in CRA.

The average price per share realised was A$3.45 (it is currently around A$4.10) to produce A$49.5m (£31.3m). This resulted in a net loss on the sale of A$19.4m.

As reported earlier, Western Mining has agreed with the other shareholders in BH South to wind up the latter company and share out its assets.

At June 30 total assets were A$249.3m, including cash of A$23m, with liabilities of about A$5m. An extraordinary meeting to consider the proposals is to be held next month.

South Crofty output hit by shaft accident

AT A TIME when the sterling tin price has been picking up, a stroke of bad luck has hit the Cornish South Crofty tin mine, near Camborne, which is controlled by Charter Consolidated with Rio Tinto-Zinc as the lesser partner.

The collapse of a timber frame in the main shaft resulted in a fall of timber and rock to the shaft bottom. Fortunately, this occurred on Sunday when there were no miners at work and there are no casualties.

But it will mean the lay-off of up to 350 men within the next few days. This is because until repairs are completed ore can only be hoisted via a second shaft and production will fall to only 25 per cent of normal.

FINANCIAL TIMES STOCK INDICES

	Jan 25	Jan. 24	Jan. 21	Jan. 20	Jan. 19	Jan. 18	A year ago
Government Secs.	77.21	77.00	78.34	78.92	78.90	78.67	63.80
Fixed Interest	79.68	79.74	80.61	80.68	80.63	80.46	64.12
Industrial Ord.	614.2	605.7	619.4	624.8	621.6	614.8	568.9
Gold Mines	613.4	601.2	640.0	656.3	664.2	656.3	275.1
Ord. Div. Yield	4.88	4.95	4.84	4.79	4.84	4.86	5.37
Earnings, Yld.% (full)	10.49	10.63	10.40	10.29	10.30	10.40	9.61
P/E Ratio (net) (*)	11.44	11.29	11.55	11.66	11.67	11.56	13.20
Total bargains.	25,009	25,470	23,550	23,715	24,021	24,768	20,199
Equity turnover £m.	—	205.69	301.62	255.69	212.71	200.71	151.5
Equity bargains	—	21,654	20,302	19,498	19,129	21,144	17,150
Shares traded (ml)	—	129.5	175.9	145.6	135.0	133.1	118.4

10 am 605.9. 11 am 609.8. Noon 610.5. 1 pm 610.9. 2 pm 611.2. 3 pm 613.2.

Basis 100 Govt. Secs. 16/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/10/56. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.62.

HIGHS AND LOWS

	1982/3 High	1982/3 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	85.84 (5/11)	61.89 (5/1/82)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.02 (12/11)	62.79 (7/1/82)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	637.4 (12/11)	518.1 (6/1/82)	637.4 (12/11/82)	49.4 (26/6/40)
Gold Mines	664.2 (19/1/83)	181.2 (22/6)	664.2 (19/1/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Jan. 24	Jan. 21
—Daily		
Gilt Edged Bargains	185.6	164.1
Equities Bargains	140.3	131.5
Value	415.7	609.6
5-day Avrge		
Gilt-Edged Bargains	175.8	186.0
Equities Bargains	131.8	135.1
Value	466.7	473.3

FT COMMERCIAL LAW REPORTS

Offensive trade needs council's written consent

ESSEX RENDERING LIMITED v EPPING FOREST DISTRICT COUNCIL

House of Lords (Lord Diplock, Lord Elwyn-Jones, Lord Edmund-Davies, Lord Roskill and Lord Templeman): January 20, 1983

A PERSON who has carried on an offensive trade over many years, with the knowledge and unwritten consent of the local authority, is nevertheless required to obtain its written consent in order to render the trade lawful.

The House of Lords so held when dismissing an appeal by Essex Rendering Ltd ("the company") from a Divisional Court decision that it was rightly convicted by Essex justices of carrying on offensive trades without the written consent of the local authority, Epping Forest District Council.

Section 107 (1) of the Public Health Act 1936 provides: "Any person who . . . establishes, without the consent of the local authority, any offensive trade . . . shall be liable to a fine . . ."

Section 283 (1) provides: "All . . . consents . . . required . . . under this Act . . . shall be in writing."

LORD TEMPLEMAN said that in 1958 Mr Watts, the owner of High House Farm in Stapleford Abbotts, Essex, established six offensive trades, namely blood boiling, bone boiling, fat extracting, fat melting, tallow melting and tripe boiling.

Mr Watts was unaware that the consent of the local authority was required for the establishment of those trades.

Between 1958 and 1981 the six offensive trades were openly carried on, first by Mr Watts, and then by a family company established by him, under the supervision and discipline of inspectors appointed by the local authority. The inspectors regularly visited the farm and, when necessary, made suggestions concerning the manner and scope of the offensive trades.

There was no material alteration in the manner in which the six trades were carried on for over 20 years. No-one told Mr Watts or the company that establishment of the trades required consent in writing.

On May 18 1978 the local authority served notices on the company alleging that the six offensive trades were established without its consent and requiring that they be discontinued forthwith.

The company, no doubt resentful at the surprising *volte face* on the part of the local authority, and unwilling to accept the abrupt termination of its long-established business, failed to comply with the notices. It relied on the fact that the local authority had in truth consented to the establishment and carrying on of the trades.

On July 7 1981 the Essex justices convicted the company of carrying on the trades without the consent of the local authority. The company was fined and ordered to pay £350 towards the local authority's prosecution costs. The justices directed the company to apply for consent. It duly did so, but was refused.

The company appealed against conviction. The Divisional Court set aside the fines, but dismissed the appeal.

In the present appeal by the company the question was whether the consent of the local authority, required by section 107(1) of the Public Health Act 1936, must be given in writing in accordance with section 283(1); or whether that provision was directory, not mandatory, and consent could be given or implied by a course of conduct over a period of years.

When Parliament enacted that a consent should be in writing, any other form of consent was usually ineffective. However, consideration of the objects which the legislation sought to achieve, and of the consequences of denying the efficacy of any other form of consent, might lead to the conclusion that Parliament was more concerned with the substance than with the form of consent.

For present purposes it was sufficiently clear that the requirements of section 283, when applied to section 107, must be mandatory.

As a matter of legislative history, section 107 of the 1936 Act replaced section 112 of the Public Health Act 1875, which in turn replaced an earlier Act of 1848. In the 1875 Act the legislature did not rely on a general provision, such as that to be found in section 283 of the 1936 Act. Section 112 provided that "any person who . . . establishes . . . without . . . consent in writing, any offensive trade" should be guilty of an offence.

The wording of the 1875 Act was so emphatic that it was impossible to conclude that the requirement of consent in writing was intended to be merely directory. The 1936 Act was a consolidation measure and should therefore not be construed so as to change the nature of the relevant requirement from mandatory to directory.

Section 107 was concerned with the establishment of an offensive trade which might cause injury or damage to members of the public.

From the point of view of the local authority and the public it was important that the grant of consent should not be accidental or informal.

Moreover, section 107 created criminal offences. Prosecution, defence and magistracy must be able to determine whether an offence had been committed without recourse to vague or disputed recollections regarding events or conversations which might or might not constitute consent binding on the local authority.

Mr Sales, for the company, submitted that if a strict application of section 283 were enforced there would be hardship in that money was expended and goodwill acquired in reliance on the knowledge, approval and consent of the local authority.

Hardship was a matter for the local authority. Where an offensive trade had been carried on for a long period with the knowledge, approval and consent of the local authority, an applicant for consent in writing would have strong grounds for urging and expecting consent.

The mischief which would result from a restricted application of section 283 to section 107 outweighed the possibilities of individual hardship.

The local authority in the present case had not given any reason why the palpable hardship had been unalleviated by the grant of written consent in terms which would safeguard the company's business but would also protect the public.

The only consent which was relevant to section 107 was a formal consent in writing. But there was no reason why the company should pay more than was necessary for the local authority's failure over 23 years to enforce the provisions of section 107, or why the company should pay for the establishment of a binding precedent.

Although the appeal must be dismissed, the order for costs made by the justices and the Divisional Court should be discharged, and no order should be made with regard to the present appeal.

It was declared that the consent of the local authority required by section 107(1) of the 1936 Act for the establishment of offensive trades as there defined, must be given in writing in accordance with section 283(1) of that Act.

Lord Diplock, Lord Elwyn-Jones, Lord Edmund-Davies and Lord Roskill agreed. Appeal dismissed.

For the company: Harry Sales (Edwin Roast and Co., Barking).
For the local authority: Robert Gray (P. J. Cunliffe-Jones, Epping).

By Rachel Davies
Barrister

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Tues Jan 25 1983 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon Jan 24 Index No.	Fri Jan 21 Index No.	Thur Jan 20 Index No.	Wed Jan 19 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (208)	418.79	—	9.58	4.11	13.00	418.68	427.24	430.50	430.44	378.99
2	Building Materials (24)	405.51	−0.5	10.42	4.68	11.57	407.74	417.63	417.90	414.64	323.56
3	Contracting, Construction (30)	727.43	−0.9	12.11	4.54	9.84	733.99	753.45	752.96	748.94	576.42
4	Electricals (32)	1575.96	+0.4	7.63	2.19	16.80	1569.22	1602.96	1617.51	1626.29	1268.24
5	Engineering, Contractors (10)	396.71	−1.3	17.67	7.54	6.93	401.85	405.58	414.99	432.91	586.52
6	Mechanical Engineering (66)	195.75	+0.1	12.31	6.03	9.93	196.46	199.86	202.55	202.01	199.34
8	Metals and Metal Forming (11)	158.98	+1.0	13.42	7.82	8.82	157.41	159.98	162.78	163.95	175.74
9	Motors (18)	77.58	+1.1	1.10	8.28	—	76.73	78.66	80.30	80.27	99.69
10	Other Industrial Materials (17)	380.13	−0.5	9.22	5.61	13.51	382.20	386.62	387.19	380.88	392.42
21	CONSUMER GROUP (201)	405.72	+1.3	10.30	4.37	11.77	400.38	409.22	412.28	407.87	290.94
22	Brewers and Distillers (23)	451.44	+2.0	11.18	4.73	10.92	442.80	451.87	456.51	456.04	282.04
25	Food Manufacturing (21)	331.93	+0.8	13.79	5.56	8.50	329.23	334.59	333.41	331.42	285.73
26	Food Retailing (14)	837.51	−0.2	7.47	2.82	16.79	838.98	857.53	851.08	848.34	592.97
27	Health and Household Products (8)	721.69	+2.1	5.47	2.53	21.71	706.96	725.75	737.83	719.70	380.80
29	Leisure (24)	476.40	−0.1	8.61	5.06	15.06	476.95	485.80	485.71	477.71	434.38
32	Newspapers, Publishing (13)	692.64	−0.4	9.14	4.68	13.79	695.11	698.28	705.62	718.87	495.93
33	Packaging and Paper (14)	150.24	+0.6	15.90	7.46	7.57	149.38	151.65	154.10	154.10	142.51
34	Stores (47)	347.44	+1.5	8.71	3.96	15.20	342.40	352.28	357.36	354.48	266.37
35	Textiles (23)	177.51	+0.1	13.42	6.84	9.07	177.37	180.09	180.87	179.02	166.68
36	Tobaccos (3)	494.80	+2.8	17.73	5.60	6.23	481.21	498.39	492.75	479.64	284.47
39	Other Consumer (11)	351.29	−0.3	2.40	3.96	—	352.32	356.90	355.57	350.37	276.30
41	OTHER GROUPS (77)	298.46	+0.7	11.64	5.58	10.33	296.41	300.72	302.69	300.73	253.05
42	Chemicals (15)	395.19	+2.0	12.48	6.12	9.52	387.35	395.24	401.77	401.03	340.05
44	Office Equipment (5)	85.95	+0.7	15.94	8.41	7.70	85.34	89.28	91.52	88.71	130.35
45	Shipping and Transport (13)	533.03	−1.4	16.25	7.98	7.33	540.78	539.84	543.06	543.44	574.95
46	Miscellaneous (44)	424.47	—	9.47	4.28	12.87	424.57	428.63	426.80	422.76	309.40
49	INDUSTRIAL GROUP (486)	396.47	+0.8	10.23	4.44	11.94	393.29	403.38	404.35	402.68	313.32
51	Oils (14)	724.69	−0.4	17.45	7.98	6.76	727.30	766.84	768.91	752.87	719.93
59	500 SHARE INDEX	423.67	+0.6	11.28	4.95	10.74	420.99	431.75	434.64	430.84	346.40
61	FINANCIAL GROUP (121)	280.78	−0.1	—	6.29	—	281.03	283.02	284.22	282.23	258.37
62	Banks (6)	287.24	−0.6	35.10	8.40	3.11	288.91	291.05	294.04	292.50	203.21
63	Discount Houses (8)	271.69	−1.2	—	8.74	—	275.10	279.97	278.62	279.23	226.42
65	Insurance (Life) (9)	345.86	−1.1	—	5.53	—	349.87	352.83	354.45	350.65	256.72
66	Insurance (Composite) (10)	196.28	+0.8	—	7.25	—	194.72	195.33	194.07	191.57	160.59
67	Insurance Brokers (7)	547.46	—	11.73	4.98	11.87	547.22	556.92	560.91	550.78	442.33
68	Merchant Banks (13)	161.29	−0.1	—	5.35	—	161.37	161.71	160.53	160.04	149.07
69	Property (54)	418.75	+0.3	6.18	4.27	21.32	417.54	422.55	424.24	424.51	460.83
70	Other Financial (14)	203.54	−0.2	13.72	5.79	8.65	204.01	208.98	207.74	206.23	184.39
71	Investment Trusts (109)	389.44	−1.0	—	4.31	—	393.19	396.55	393.78	389.45	306.05
81	Mining Finance (4)	259.29	+4.1	7.92	5.48	16.91	249.11	263.30	260.86	273.55	29.53
91	Overseas Traders (16)	423.80	−0.2	11.78	8.53	11.22	424.75	433.16	431.72	430.16	424.40
99	ALL-SHARE INDEX (750)	389.30	+0.5	—	5.18	—	387.41	396.16	398.27	395.07	325.73

FIXED INTEREST

	PRICE INDICES	Tues Jan 25	Day's change %	Mon Jan 24	xd adj. today	xd adj. 1983 to date
	British Government					
1	5 years	115.89	+0.38	115.45	—	0.98
2	5-15 years	123.01	+0.47	122.44	—	1.62
3	Over 15 years	128.69	+0.52	128.02	—	0.00
4	Irredeemables	134.89	−0.03	134.93	—	0.00
5	All Stocks	122.43	+0.45	121.88	—	0.97
6	Debentures and Loans	98.98	−0.42	99.40	—	0.23
7	Preference	75.15	+0.12	75.06	—	0.21

	AVERAGE GROSS REDEMPTION YIELDS		Tues Jan 25	Mon Jan 24	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.24	9.27	12.64
2		15 years	10.87	10.91	13.87
3		25 years	11.15	11.12	13.67
4	Medium Coupons	5 years	11.82	12.00	15.67
5		15 years	12.08	12.16	15.49
6		25 years	11.69	11.76	14.80
7	High Coupons	5 years	12.01	12.14	15.69
8		15 years	12.22	12.28	15.64
9		25 years	11.77	11.82	15.24
10	Irredeemables‡		10.97	10.97	13.29
11	Debs & Loans	5 years	12.80	12.73	16.66
12		15 years	12.80	12.73	16.31
13		25 years	12.88	12.73	16.14
14	Preference‡		13.23	13.24	15.83

‡Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

LONDON RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1982/3 High	1982/3 Low	Stock	Closing price	+ or −	Net Div.	Times Covered	Gross Yield	P.E. Ratio
§108	F.P.	13/1	192	140	✤Baltic Leasing 5p	180	...	b2.8	3.5	2.2	14.2
‡‡	F.P.	—	16	12	✤Booth (Charles) 5p	14½	.....	—	—	—	—
§100	F.P.	22/4	102	100	Br. Kidney Pat. As.	102	...	—	—	—	—
¶215	100p	22/4	84	55	Britoil 10p	55	−2	b9.9	1.8	8.3	8.4
§74	F.P.	21/1	156	108	✤Canvermoor	145	...	b3.64	2.0	3.6	16.5
55	F.P.	7/1	133	98	✤GarfunkelsRest.10p	114	−1	b1.86	3.2	2.3	14.9
‡17	F.P.	21/1	35	24	✤Inn Leisure 5p	31	−1	ud.42	3.7	1.9	15.5
§130	F.P.	14/1	190	155	✤Memory Comp Ir10p	180	−3	bQ28.0	5.9	1.3	15.6
§120	F.P.	30/12	265	195	✤Micro Bus. Sys. 10p	232	−2	b2.25	5.4	1.4	25.0
§190	F.P.	—	388	350	✤Microgen	360	.....	b4.0	2.9	1.6	29.7
§155	F.P.	7/1	255	200	✤Munford & White	237	−3	b2.6	2.4	1.6	37.5
‡‡	F.P.	—	177	149	✤NMW Computers	167	−1	g3.0	2.8	2.6	17.7
§93	F.P.	4/2	198	145	✤Resource Tech.10p	165	+5	—	—	—	41.7
525	F.P.	14/1	217	143	S.T.C (New)	194	+2	b6.0	1.9	4.4	16.0
§82½	F.P.	21/12	150	102	✤SlatersFoodPrds10p	137	−2	b2.0	3.6	2.1	14.4
§120	F.P.	—	125	107	✤Swindon Priv Hos £1	107	..	—	—	—	—
§101½	F.P.	—	41	16	✤Tops Estates 10p	42	+1	—	—	—	—
§80	F.P.	—	87	55	††Voyager Pet. (UK)	56		—	—	—	—
§150	F.P.	—	340	265	✤WightCollinsR.S10p	285	+10	bd2.75	5.5	1.4	51.6

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc date	1982/3 High	1982/3 Low	Stock	Closing price £	+ or −
**	F.P.	—	108	102	AMEC 15% Uns. Ln. 1992	105½	.....
**	F.P.	—	90	90	Anglo-Nordic 10% Cnv. Uns. Ln. 1989	90	..
97.504	£25	4/3	29½	15¾	BOC 12¼% Uns. Ln. 2012-17	15¾	−1¼
99.431	£20	10/4	21¾	12¼	Birmingham 11½% Red. 2012	12¼	..
96.574	£25	29/4	26¼	23	Bishopsgate Tst. 7.17% Stpd Deb 2023	23	..
**	F.P.	—	130	86	European Inv. Bk. 11% Ln. 2002	86	..
**	F.P.	—	36p	30p	Jessel Toynbee 3.75% Red Cum. Pref.	35p	..
99.799	£25	31/5	25½	22	London Shop 12.5% 1st Mt. Deb. 2015-20	23½	+½
99.13	£25	31.5	24¾	20	NatWest 12½% Sub. ord Uns Ln. 2004	20	−½
§97.174	£25		24¼	22	Pearson (S) 13% Uns. Ln. 2007	22	−1
‡99.799	£30	25/2	30¾	26½	Scottish Eastern Inv. Tst 12¼% Deb. 2012	27	..
96.55	£25	8/7	25⅝	23¾	Sweden 13½% Ln. Stk. 2010	23¼	−¼
**	F.P.	18/2	90	85	Transcont. 9% Cnv.Ret.Uns.Ln.Nts.1995	88	....

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1982/3 High	1982/3 Low	Stock	Closing price	+ or −
26	Nil	28/1	18/2	152pm	94pm	Arlen Elec.	158pm	+6
90	Nil	28/1	18/2	26pm	18pm	Bellway	25pm	..
50	Nil	8/2	9/3	5pm	2pm	Cluff Oil 'B'	3pm	−2
60	F.P.	14.1	11.2	73	65	ICL	72	...
46	Nil	—	—	6pm	5pm	LCP	6pm	...
93	Nil	7/2	21/3	24pm	15pm	NSS News 10p	16pm	+1
58	Nil	3/2	29/4	5pm	3pm	Stakis 10p	5pm	
470	F.P.	11/1	11/2	595	523	Wolseley-Hughes	560	−25

Renunciation date usually last day for dealing free of stamp duty. Fr French Francs. *b* Figures based on prospectus estimate. *d* Dividend rate paid or payable on part of capital: cover based on dividend on full capital. *g* Assumed dividend and yield. *t* Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. *u* Forecast dividend: cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. ⊕ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✤ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under special rule. ◆ Merger bid or reorganisation in progress. M Dividend and yield based on prospectus or other official estimates for 1983-84.

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Jan 24	Feb 4	May 5	May 16
Feb 7	Feb 18	May 19	May 31
Feb 28	Mar 11	June 2	June 13

For rate indications see end of Share Information Service

Increased demand for Options saw calls transacted in **London and Liverpool, Hampton Trust, Munton Bros., First National Finance, Turner and Newall, GEC, ICI, Rothmans International, Grand Metropolitan, John Brown, W. H. Smith A, Mellins, Combined Technologies, Aberthaw Cement, Hawley, Samantha, Charterhouse Petroleum, Marks and Spencer, Yelverton, Samson, Enterprise Gold** and **Fidelity Radio.** A put was struck in **London and Liverpool,** while doubles were taken out in **First National Finance, Yelverton, GEC, Burmah, Dufay Bitumastic** and **London and Liverpool.**

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List

Stock	No. of changes	Mon. close	Day's change
Wight Cins. RS	28	275	
Shell Trans.	24	416	−26
Lon. & Liv. Tst.	23	448	−4
Driefontein	20	£22	−1⅛
Cons. Gld. Flds.	19	503	−35
LASMO	18	284	−36
Racal Elec.	18	473	−3
BP	17	316	−16
Ultramar	17	551	−26
ICI	14	362	−8
Plessey	14	568	−22
Vaal Reefs	14	£69½	−1⅛
Ocean Trans.	13	84	+9
Unilever	13	775	−15

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change
Arlen Elect.	190	+26
Bullair Cosmetics	50	+14
Benlox	50	+13
Cons. Gold Fields	523	+20
Guinness (A.)	113	+11
ICI	372	+10
Imperial Group	127	+7
Macarthys Pharm.	170	−40
Randfontein	£88⅞	+5⅛
Rank Org.	104	
Vaal Reefs	£70¼	+⅛
Wimpey (Geo.)	130	−2

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	72	2	23
Corpns. Dom. and Foreign Bonds	5	32	40
Industrials	270	327	730
Financial & Props.	53	222	239
Oils	8	42	59
Plantations	—	5	17
Mines	60	44	47
Others	23	96	38
Totals	491	770	1,193

NEW HIGHS AND LOWS FOR 1982/3

NEW HIGHS (44)

FOREIGN BONDS (1)
Japan 4pc '10 Ass.

BANKS (1)
Ottoman Bank

BEERS (1)
Guinness

BUILDINGS (4)
Aberthaw, Lawrence (W.), Henderson (P. C.), May & Hassell

CHEMICALS (1)
Plysu

STORES (2)
Forminster, Mellins

ELECTRICALS (3)
Arlen, Cable & Wireless, Audiotronic

ENGINEERING (1)
A.P.V.

FOODS (2)
Nichols (Vimto), Paterson Jenks

INDUSTRIALS (10)
Attwoods, Eastern Produce, Bellair Cosmetics, Erskine House, Benlox, Friedland Doggart, Blundell-Permoglaze, P H. Inds., Combined Tech., Restmor

INSURANCES (1)
Gen. Accident

MOTORS (1)
Hurst (C.)

PAPER (3)
Brunning, L.C.A., Do. Res. Vtg.

PROPERTY (1)
Anglo Metropolitan

SHIPPING (1)
Mersey Docks Units

SOUTH AFRICANS (1)
Tiger Oats

TEXTILES (3)
Martin (A.), Snia Viscosa, Miller (F.)

TRUSTS (4)
Foreign & Colonial, Yorks. & Lancs., Greenfriar Inv., Parambe

MINES (3)
Sentrust, Peko-Wallsend, Carr Boyd

NEW LOWS (20)

LOANS (2)
Nationwide 11¼pc 5.10.83, Nationwide 11¼pc 19.12.83

BUILDINGS (1)
Hewden-Stuart

STORES (1)
Liberty

ELECTRICALS (2)
C.A.S.E., Elec. Rentals

ENGINEERING (4)
Downiebrae, Weir Group, R H.P., Wellman

INDUSTRIALS (6)
AIM, Kershaw (A.), Anglo Nordic, Magnolia, James Inds., Rank Org.

LEISURE (1)
Nimslo

PAPER (1)
Cropper (J.)

OIL & GAS (2)
Anvil Pet., Lon. Am. En'gy Invs.

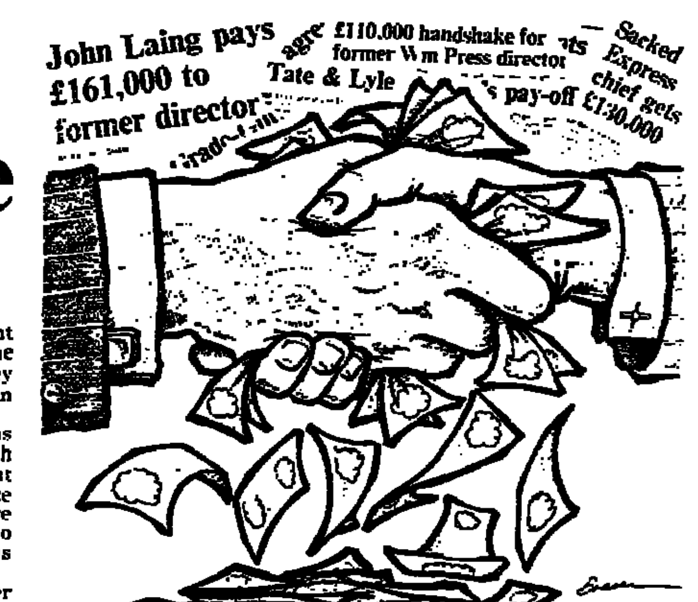
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

The mysterious world of the golden handshake

BY ARNOLD KRANSDORFF



FIVE and a half years ago David Brownlow, a rising star in one of Britain's major industrial companies, was made an irresistible offer: he was invited to become chief executive of a group ranked among the country's top 100 companies.

His future with the company he had been with for 25 years looked secure, but the challenge of the top job with an admittedly smaller but different type of operation was overwhelming. He accepted—but not without first taking legal advice and drawing up a relatively unusual rolling five-year service agreement. This meant that if anything went wrong at any time he would always have, in theory, five years' income to fall back on.

Last year something did go wrong. He was sacked from his £57,000-a-year job after a boardroom putsch. As compensation for the loss of his job, his and the company's lawyers negotiated a settlement of £120,000—otherwise known as a golden handshake or, in U.S. parlance, a golden parachute.

In the event Brownlow (not his real name, he does not want to re-open old wounds with his former employer) considers himself lucky. He describes his own settlement as "reasonable" and managed to get another senior position within six months, though at a lower salary.

Brownlow is just one of dozens of British executives who *have collected golden handshakes* over the past year, victims mainly of the recession and/or corporate takeovers. As his settlement shows the calculations on which these are based are far from precise, a fact which partly accounts for the confusion and uncertainty which surrounds this issue.

Overall Brownlow's £120,000 payout is relatively modest in the league of executive golden handshakes. For the moment the record is held by Bill Fieldhouse, formerly of Letraset, the hard-pressed dry transfers group, who is believed to have picked up a cheque for £750,000 in total severance compensation. This is followed by the £560,000 award to Jack Gill, the former managing director of Associated Communications Corporation, the entertainments group which was taken over by the Australian businessman Robert Holmes à Court; unusually, this award is being challenged in the courts.

In both the Fieldhouse and the Gill cases, as with most of the others, the awards have attracted unrestrained adverse publicity, mainly because of the clear contrast with the level of redundancy payments made to non-executive workers in British industry. The average redundancy payment to steel workers, for example, is less than £10,000 and the steel industry is among the highest payers.

Inevitably these comparisons have refuelled the suspicion that long-term service contracts, not normally available to rank and file workers, are an easy way for top managers to award themselves hefty payments when things go wrong. This is because many top managers set their own pay and conditions. Even recent legislation which limits service contracts to a maximum of five years without consulting shareholders has done nothing to dampen the critical debate.

There is wide support among managers for service contracts, which are seen by many of them as a useful device for ensuring a measure of security for a highly mobile section of the workforce. But there are now fears that further legislation could be on the cards, this time to restrict the level of termination payments, either through taxation or further limiting the length of service contracts awarded without shareholder approval.

At least one top manager, himself the recipient of a £280,000 golden handshake last year when he was sacked from his £60,000-a-year job as chairman and managing director of a £260m-a-year services group thinks this is possible. Like Brownlow, he does not want to be identified, but describes recent announcements of large golden handshakes as "beyond belief."

He believes that some recent severance payments and the circumstances in which they were made could "bring in more legislation."

When he was sacked he was 50 years old and had been with the company for 22 years; at the end he had a six-year service contract, negotiated before current legislation came into effect. He thinks his award was "fair."

A young senior manager who thought his golden handshake was "unfair" is the former director of a small, hard-pressed manufacturing company who was awarded just under £100,000 in the courts after a boardroom shakeout last year. On an annual salary of £25,000, his sacking came less than six months into a five-year contract.

Clearly disgruntled, he nevertheless believes that "service contracts are a very good safguard against mergers—and spiteful colleagues." He claims he was "deserted" after 12 years' hard work.

He takes some measure of satisfaction from the fact that the courts awarded him more than the company was, at one stage, prepared to settle for. "Their first offer was £30,000. Our solicitors subsequently agreed on an out-of-court settlement of £70,000 but at the last moment the board decided to take the matter to a judge. He awarded me £95,000."

David Warner, a solicitor who specialises in fighting executive *compensation awards* believes that even quite large awards are an important substitute for inadequate statutory protection. "Compared with the rest of Europe the statutory level of compensation in the UK is so trifling as to be almost irrelevant for senior executives.

"In Belgium or the Netherlands, for example, an elderly senior executive without a service contract who has been with his employer for a long period might be entitled to three to five years' salary by way of compensation if he is made redundant. In the UK a similar executive would be most unlikely to receive more than 12 months' pay."

Perhaps because of this, few top British executives put themselves in the position of being without some form of service contract. According to a 1980 survey by the British Institute of Management, senior executives (at director level and just below) in the majority of companies use what are called indefinite length contracts where employment can be terminated at any time so long as the contractual period of notice is given. The length of this period is a matter of negotiation, but in an increasing number of cases companies are now agreeing to a period of notice of at least a year.

The survey also found a declining use of fixed-term contracts — those which expire automatically on a pre-determined date, usually after three years. Executives in just over a quarter of the sample were still using this form of contract.

In other countries the use of service contracts is also growing, especially in the U.S., where golden parachutes are seen as security against the spate of recent takeovers (around 4,000 in the past two years).

A recent study by Ward Howell International, an American executive head-hunting group, found that 15 per cent of 665 major industrial companies offered golden parachute provisions to some top managers. Service contracts were virtually unheard of in the U.S. a decade ago.

In Britain the issue that concerns professional organisations is not so much the idea of a service contract, but the size of the handshake that can accompany it.

The Institue of Directors and the BIM, both of which have their own guidelines towards service contracts (but not the level of payments), agree with the Confederation of British Industry that corporate policy towards the issue is a matter for individual companies.

The Trades Union Congress describes golden handshakes as "just one of the many perks which serve to widen the gap between top earners and those on low pay or reliant on benefits." It does not condemn all ex-gratia payments but "the TUC is concerned that they should be kept in proportion," says a spokesman.

John Webster, chairman of the Investment Protection Committee of the British Insurance Association, which represents institutional interests, says that "*there are times when golden* handshakes go too far."

He asks: "What is reasonable? We shall have to think about it. We have not yet drawn the line where it should be."

This comment, more than any other, highlights the crucial element of the whole debate towards golden handshakes and what—if anything—should be done about them.

The IoD has been campaigning for years to urge companies to put the question of top pay—and, by implication, severance arrangements — in the hands of independent, non-executive directors. It feels strongly that executive directors should not set their own pay.

The Government may not think this is enough. If that is the case, the golden egg could well be laid to rest.

What the terms mean

A Service Contract is a contract of employment with a senior executive which normally contains provisions over and above the statutory requirements, including a period of notice in excess of the legal minimum.

A Golden Handshake is a colloquial term for the often large lump-sum payment made to executives with service contracts on termination of employment. Sometimes this payment may be made without a service contract.

A Redundancy Package covers all the benefits made available to a redundant employee, including any golden handshake, the statutory payments based on age and length of service and other forms of assistance such as career counselling.

The mathematics of compensation

IN THE esoteric world of executive contracts David Warner is one of the busiest solicitors in the City of London.

Last year he drew up around 120 new service contracts for directors and senior managers and got involved in about 80 disputes between companies and sacked executives over the size of their golden handshakes.

His clients—normally individuals rather than companies, which usually have their own lawyers to represent them—walk through his door having either just been offered a job or been fired from one.

When the *latter* happens Warner, who originally set up in business to advise companies on employment law, calculates the termination package where a service contract exists and then negotiates a compromise with the individual's former employer.

Although much of his work is *mathematical*. Warner describes his job "as an art more than a science."

"In essence I have to calculate how much a court will be likely to award an individual for damages," he says. "This is despite the fact that few cases ever get to court and there is thus virtually no case law to work from. In practice I spend most of my time negotiating with the other party's solicitor over the detail of our calculations."

Warner finds that most disputes are settled reasonably quickly. Where a company makes an executive redundant or is dissatisfied with his or her performance, it usually wants to get rid of the individual as quickly as possible, he says.

"The way to do the calculation is to work out the individual's total net salary after NI and PAYE for the unexpired period. To this must be added an estimate of the value of fringe benefits such as bonus, share options, the car, private health insurance and pension: a consultant actuary is brought in if the pension calculation is a complicated one, although this is relatively rare.

"The calculation must take into account the fact that any payment over £25,000 will be taxed. So the excess must be grossed up on a graduated scale.

"Then comes the most difficult element of the exercise. It concerns mitigation of loss, a concept of contract law that has to take into account the likelihood that an individual will get *gainful employment* during the unexpired period of the contract.

"The total remuneration likely to be earned from new employment is then deducted from the grand total of the claim."

Warner says that in the event that an individual gets alternative employment immediately after the date of dismissal, at the same or better terms, there could conceivably "be virtually no claim at all."

Other considerations to be taken into account include a so-called discount for early payment. "Because the individual is getting a lump sum instead of a salary spread over a lengthy period, a discount is applied to reflect this based on current interest rates."

One further element of the calculation concerns the reason for dismissal. "If the individual is made redundant, we add on the statutory amount of redundancy pay as published by the Department of Employment. This varies according to length of service and age.

"If the individual could *theoretically* claim unfair dismissal, then we would add on an assessment of the damages he would likely receive up to a statutory maximum of £7,000."

Warner believes that in today's economic climate, a young man with a five-year contract and good track record might be advised to settle for 6-12 months remuneration but an elderly man with a less-than-successful business record, with a similar length contract, would be advised to hold out for virtually the full unexpired period.

BUSINESS PROBLEMS
BY OUR LEGAL STAFF

Ownership of patents

Some years ago I read an article on *Patents* and ownership, stating that a Patent made in firm's time and from firm's material belonged to the firm. In our case a director has a patent made in the firm's time and material hired to the firm on commission. The time period expired years ago and the cost of renewal of the patent was too excessive to renew. We still have agreement on this commission basis. If the *firm were to close who would* be owner of the patent?

The patent belongs to the registered owner. If that was a company in liquidation its liquidator would realise it on a winding up. If a partnership were the owner the individual partners would hold it on trust for the partnership and likewise it would fall to be realised on a dissolution of the partnership. If partners hold the patent but for their own individual benefit, different considerations would arise, as they would be unaffected by the firm's dissolution.

Possession and oral notice

I let a warehouse to a tenant whose lease expires on September 30, 1983. In October the tenant gave me verbal notice that he wished to relinquish his tenancy on March 31, 1983. Some weeks later I handed in a formal letter setting out the terms of the notice, but when I telephoned I was told any reply would come from his solicitor. The rent due for the last quarter was not paid. If the tenant does not give up possession on the date to which he agreed I shall lose a very good offer to take the premises. What remedy do I have?

We doubt if you can obtain possession on the verbal notice date if the tenant opposes you. Your only course is to seek forfeiture for non-payment of rent—but payment will entitle the tenant to relief from forfeiture—or to forego forfeiture and serve a statutory 6 months' notice now, with a view to obtaining possession on the expiry of the notice.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

TECHNOLOGY

EDITED BY ALAN CANE

VARIABLE SPEED MOTORS

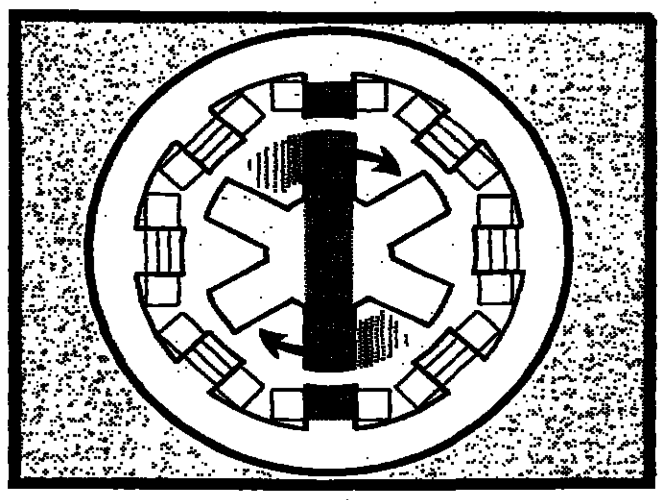
An idea 100 years old comes to fruition

BY GEOFFREY CHARLISH

SOME WORK that has been going on at Nottingham and Leeds Universities based on the variable reluctance principle—an idea that is a century old—has come to fruition in the form of a new variable speed motor and controller from Tasc Drives. Overall electrical to mechanical efficiencies of 85 per cent are claimed.

The development has been backed by £1.5m from TASC's parent, the £80m turnover Cambridge Electronic Industries Group. This small Lowestoft company is making its own motors for the drives as well as the electronics; it may well modify the shape of the £400m European drives market if the idea is accepted by industry. But TASC admits it has a difficult task due to 100 years of tradition.

One way of categorising the electric motors that have been developed over the years is to look at them as either electromagnetic (DC types, AC induction and synchronous machines, etc) or as "magnetic." The first category at the moment covers perhaps 90 per cent of the world's electric motor horsepower in one type—the induction motor.



Tasc Drives' reluctance motor in which rotor poles are sequentially attracted from one stator pole to the next by timed energisation

Complex

The second category may actually be more numerous since it includes the small reluctance motors used in electric clocks. But it has contributed little to mechanical power production and has been regarded traditionally as cheap but inefficient.

The big electromagnetic industrial category has its basis in Faraday's induction laws and depends upon complex reactions between currents in the stationary windings (stator) and others in the rotating windings (rotor). Constructions of these motors is necessarily somewhat complex and there may be a need to supply current to the rotating parts.

The reluctance motor on the other hand is based on the simplest principle of all, namely that when a piece of iron is magnetised it will attract another piece close to it. Thus, an iron bar, rather like a compass needle, can be made to rotate if a series of electromagnets is placed round the periphery and switched on and off at the right moments—just as the end of the bar is about to pass by.

This so-called switched reluctance idea has also been around for some time, but there seems to have been little thought given to developing it with modern switching techniques, in spite of the fact that there are no windings on the rotor, promising cheap construction.

Apparently industry and user alike have always regarded the idea as a non-starter for industrial drive applications on the grounds of low efficiency.

However, from 1967 Professor Peter Lawrenson, an acknowledged authority on electrical machines and Dr Michael Stephenson of Leeds University began a re-examination of the reluctance motor principle. At the same time, Rex Davis and Bill Ray at Nottingham University were researching various forms of electronic variable speed drive and they also came to the conclusion that a reluctance motor with innovative control could give a new standard of performance and efficiency.

The four academics pooled their resources and formed a company called Switched Reluctance Drives. Five manufacturing licences have been granted in the UK and abroad, the first of which was TASC, which has rights for specific powers of drive in Europe and the U.S.

Enclosed

Two of the modern developments that have allowed the program to succeed have been low-cost power semiconductor current switching devices and the availability of powerful computer modelling techniques.

The motor itself is totally enclosed and has an eight pole stator with stationary coils and a rotor with six poles. There are no windings or bars on the rotor. Stationary optical sensors, fixed to an end housing, interact with a revolving cut-away ring. These sensors, which form part of a logic circuit, provide signals which indicate the angular position of the rotor and ensure that the appropriate stator coils are energised at the most torque effective moment.

The sensors also give a frequency output proportional to the motor speed. This is compared with a set speed reference to produce a torque demand signal. The angular position signal causes a thyristor in the power converter to be turned on to energise the appropriate stator coil at a level determined by the torque demand signal.

In this way the sensors direct the flow of electrical impulses to the correct coil at the most advantageous moment. In effect, the speed is not being controlled by the frequency of the impulses but rather the train of pulses is controlled by the speed.

The machine, which can hardly be described as either AC or DC, can thus be controlled in a number of different ways, including constant torque, constant power, start, stop, reverse, controlled deceleration and so on. The speed range is 100:1 and the system can be used manually or controlled automatically from transducer inputs.

A life of 40,000 hours is claimed and there is no routine maintenance; the bearings are greased for life. The regulation (change of speed with load) is claimed to be near to zero, and the power output can remain constant whatever the speed.

It is claimed that in most respects the new design of drive is superior to inverter controlled induction motors, and cheaper. Frequently, it is also cheaper than DC drives, says the company.

RESEARCH INVESTMENT

Europe funding conclusions

BY DAVID FISHLOCK, SCIENCE EDITOR

IS RESEARCH and development a good commercial investment? The question was debated last year by the research managers of Europe's leading research-based companies.

Their conclusions have just been published by the European Industrial Research Management Association (EIRMA), representing over 150 companies from 13 countries.

Without doubt, the climate towards research in many businesses is less favourable today than it was 10-20 years ago, says Mr Michael Dowdall, chairman of BOCM Silcock, the Unilever subsidiary. Partly, cost is the problem, for research is both labour-intensive and demands increasingly sophisticated equipment "so that, with inflation, its cost really does seem to an outsider to have become very high."

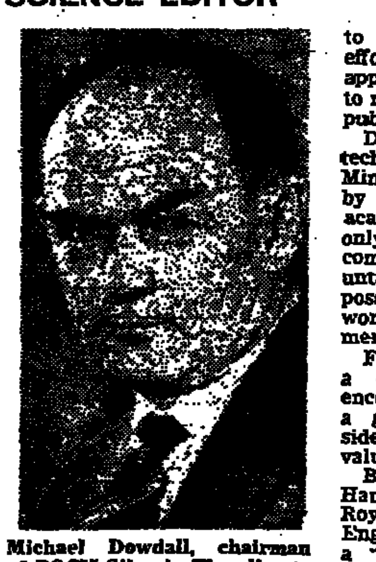
Scientists sometimes ignored this fact, Mr Dowdall says. They believed research was intrinsically such a "good thing" that it should be funded regardless of expense.

Industrial research must be treated as an investment and done only if the returns seemed likely to justify the initially high investment: "I argue therefore that research, far from being different from other business activities, must be judged by exactly the same criteria and must justify its share of a company's always scarce available resources," he said.

But it is over-simplifying the problem to think that investors are interested only in maximising returns and minimising investment, says Mr Gerard Fairtlough, chief executive of Celltech, the new biotechnology company. "Think of some investors in publishing or theatrical productions."

Investment in R and D is often influenced by other factors "such as the desire to conquer disease or, at a more mundane level, to follow fashion or to have something exciting to talk about."

Mr Fairtlough warns that most new-technology investments need to grow rapidly if they are to succeed. This means that reported profits in the early years are likely to be low. If it is part of a steadily expanding portfolio of such investments, the return on the portfolio will accordingly be kept depressed. This requires special techniques for monitoring such a portfolio, that take account of the different starting points, he said.



Michael Dowdall, chairman of BOCM Silcock: The climate for research is less favourable than 10-20 years ago

A Swiss banker offers a powerful case for R and D as an investment for society as a whole, drawing contemporary examples from energy conservation in the energy-intensive industries, from materials and information technology, from reclamation of spent materials and from agriculture. But Dr P. G. Rogge, a director of Schweizerischer Bankverein, warns that, in spite of this impressive R and D response to society's recent needs, there is a danger that "growing portions of the public are viewing scientific and technological progress not as a welcome or at least necessary achievement but rather as a creeping danger . . . an investment *against* society."

Their grievances and anxieties have three main points, he says:

- Desirability of economic growth;
- Maintenance of full (or at least maximum) employment;
- Consumption of scarce resources.

"The public, at least in democratic countries, has the power to make or break R and D efforts; it would thus seem appropriate for research people to more seriously consider these public complaints," he argued.

Dr Hymie Rose, group technical director of Foseco Minsep, says he gets irritated by the "arrogance of some academics who believe that the only good research is of completely basic nature, untainted by the flavour of any possible application to the world of industry and commerce."

Fortunately, he says, they are a declining minority "with encouraging signs that there is a growing majority on both sides receptive to the potential value of co-operative projects."

But Professor Gundar Hambreus, president of the Royal Swedish Academy of Engineering Sciences, warns of a "disturbing trend" in the temptation for universities to commercialise their knowledge in bio-engineering. "It is feared that this might dry up the traditionally free scientific exchange in the academic world."

Prof. Hambreus sees R and D as "creating a pool of knowledge out of which, as needs demand and markets appear, we can create the technology that we need." This means combining technology "hired, bought or stolen from outside" with a nation's own experience and knowledge.

In Sweden, he says, there is new awareness of the value of R and D. Whereas almost all other public sectors are being cut, post-graduate education and new priority areas in science and technology are being established. There is substantial growth in Swedish R and D spending, mostly in the private sector.

"What is even more encouraging is that we have a boom in new innovative ventures based on high technology." Sweden has more than 1,000 such ventures. What is more, Prof Hambreus says, they are showing annual growth of about 30 per cent in turnover and 15 per cent in employment.

R and D as an investment. Published by the European Industrial Research Management Association, 38 Court Albert 1, 75008 Paris.

Cabling

'Orator' reduces complexity

PUBLIC ADDRESS systems being what they are—a collection of amplifiers, loudspeakers, microphones, record decks and so on connected up by cables—it could only be a matter of time before data addressing and bus techniques were used to reduce cabling complexity.

That is what ML Engineering (Plymouth) has done in its new system. Known as orator, it provides software control of distributed microprocessor hardware with the entire network connected by common bus cabling. It is claimed that there are considerable cost savings, initially on installation but also on alteration, extension or maintenance of the system.

A central operator station has a visual display unit and keyboard and it retains a directory of loudspeaker groups, zones and the location of personnel. Remote stations are intelligent, with response facilities, remote volume control and remote control of the outputs, More on 0752

Transistors

Fall in orders

ACCORDING TO a Semiconductor Industry Association report in the U.S., the power transistor business there has experienced its biggest drop in four years.

Orders stood at $29m last April but have now fallen to $17m according to the report, a drop of 41 per cent.

Apparently the figures would have been even worse if the European bookings had been omitted. Europe accounts for about 36 per cent of world power transistor sales and although it too has experienced a downturn, the figures have been somewhat better than in the U.S.

In addition, price cutting has been vigorous. The report quotes the case of the International Rectifier IRF 330, a 400 volt five amp device which now sells for a mere $4 compared with $28 in 1978. The SIA report is available in the UK from IPI, 134, Holland Park Road, London, W11 (01-221 0998).

Monitoring

Distributed system

A NEW distributed processor monitoring system recently inaugurated by Southern Electricity is said to be advanced enough to allow engineers to put supply faults right before customers start telephoning.

Some 6,500 individual circuits emanating from 550 major substations are scanned by the system, which is called SECAT, every few seconds. Information on their operational condition is shown on screens in the appropriate control centres.

At a glance, control engineers can see voltage and current levels, whether circuit breakers are open or closed and the associated alarm indications, if any. In addition, the breakers can be closed remotely instead of the engineer travelling to the substation. In prolonged bad weather, this speeds up the corrective process still further.

Copiers

Canon's range

THE first two machines in Canon's new range of personal copiers are now avallble both in the U.S. and Europe.

The machines feature "throw-away" maintenance; both the PC-20 and the PC-10, announced first late last year, have almost no parts which can be maintained.

The parts that would normally require service attention are housed in a disposable cartridge that can be thrown away and replaced when the toner runs out—after about 2,000 copies, Canon says. The new machines will retail for $1.295 and $995, the company says.

Canon UK is on 01-680 7700.

INTERNATIONAL CAPITAL MARKETS

EUROBONDS

Fixed-rate $ issues recover

By Peter Montagnon in London

FIXED RATE dollar Eurobonds staged a modest recovery yesterday as bargain hunters stepped in to mop up cheap paper after Monday's sharp falls.

Helping bond prices was the firm opening tone of the New York bond market as well as some weakening of the dollar against continental currencies, but dealers said the market remains tender and exposed to a continuing burden of unplaced new paper.

Secondary market prices of Eurodollar bonds rose by between ¼ and ½ point yesterday. Trading was relatively thin though there was some retail buying interest as well as professional short-covering by dealers. Once again there were no new issues and the market was looking for direction from President Reagan's State of the Union message scheduled for late last night as well as today's quarterly refinancing announcement by the U.S. Treasury.

In West Germany, the EEC is raising DM 200m through a 12-year 7¾ per cent bond issued priced at 99½ by lead managers Deutsche Bank. News of the issue came too late to provoke much market reaction, but among other recent issues the DM 200m issue for Caisse Nationale des Telecommunications (CNT) was trading at a discount of two points despite an increase in its coupon from 7½ per cent to 7¾. Overall bond prices in Germany were little changed.

CNT is also raising SwFr 100m through a ten-year issue with an indicated yield of 5½ per cent led by UBS. The SwFr 100m 12-year bond for the Asian Development Bank has been awarded a coupon of 5⅞ per cent and issue price par by the same lead manager.

French borrowers continue active on other markets with the launch yesterday of a two tranche issue totalling ECU 100m for Credit Foncier de France. One tranche of ECU 50m is over ten years at a fixed rate of 11⅝ while the other is at a floating rate set at ¼ per cent over three-month Libor. Holders of the second tranche may convert their paper into 11⅝ per cent fixed rate bonds within the first two years of its life. Lead managers are Crédit Lyonnais and Ste Générale de Banque.

● Euroclear yesterday reported that its annual turnover rose 111 per cent to a record $509.7bn last year.

Late last night, the Province of Quebec launched a Fl 100m five-year bullet issue with a coupon of 7½ per cent and issue price 99 through Amro Bank.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. The following are closing prices for January 25.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97	150	108	108½	+0⅛	−1½	11.36
Amex O/S Fin 14¼ 89	75	109	109½	+0⅜	−0¾	12.82
Amro Bank 13 89	200	105¼	105¾	+0⅛	−0⅜	11.75
BHP Finance 14¾ 89	150	104⅝	105⅛	−0⅝	−3⅛	13.50
Bk Montreal 14½ 87	100	106⅞	107⅜	−0⅝	−1⅝	12.23
British Col Hyd 14¾ 89	200	110	110½	0	−1⅞	12.27
British Col Hyd 15¼ 92	150	114⅛	114⅝	+0⅛	−2⅛	12.51
Canada 14⅜ 87	750	109⅜	109⅞	+0⅛	−1½	11.41
Canadair Ltd 12½ 89	175	104⅛	104⅝	+0⅛	−1¼	11.51
Canadian Wheat 11¼ 90	50	98¼	98¾	+0¼	−1	11.54
Can Pac Ltd 14⅝ 92	75	107½	108	−0¾	−1⅝	13.10
Can Pac Sec 15 89	75	107⅞	108½	−0⅛	+0⅜	13.03
Citicorp O/S 15 84/92	100	104	104½	−0⅛	−1⅜	10.97
Coca Cola Int 11¾ 89	100	105⅜	105⅞	−0⅛	−1⅜	10.51
Credit Suisse 10½ 89	100	99⅛	99⅝	−0⅛	−2⅛	10.62
Deutsche Bk Fin 14¼ 89	300	109¼	109¾	0	−1	12.03
Du Pont 11¼ 95	150	98½	99	−0⅛	−2¼	11.44
Du Pont 14⅛ 89 WW	200	106½	107	−0⅜	−1¼	12.51
E.D.C. 10¾ 88	100	98⅜	98⅞	+0⅛	−1¼	11.12
E.D.F. 12¾ 87	150	102½	103	+0⅛	−1½	11.92
E.E.C. 11½ 86	200	96⅞	97½	−0¼	−1⅜	12.98
E.I.B. 16½ 92	100	110⅝	111¼	+0⅜	−2⅛	13.34
Exportfinans 14½ 89	50	106⅜	106⅞	0	−1	12.86
Exp Dev Corp 11¾ 87	100	101¼	101¾	−0⅛	−1⅝	11.33
Forsmarks 13¾ 92	75	102½	102⅞	−0½	−2	13.27
Gaz de France 12¼ 93	175	100⅜	100⅞	+0⅛	−1⅞	12.40
Gen Elec Credit 12 89	100	105	105½	0	−2	10.83
Getty Oil Int 14 89	125	107¼	107¾	+0½	−2⅛	12.18
GMAC O/S Fin 15 87	100	108	108½	0	−1¼	12.35
GMAC O/S Fin 15 88	125	110¼	110¾	+0⅛	−0⅜	12.46
Gulf Oil Fin 12¼ 87	100	104	104½	−0¼	−1⅞	11.00
IBM World Trade 12⅛ 92	200	110	110½	+0⅜	0	10.49
Lloyds Euro 11½ 94	100	98½	99	0	−2	12.53
Manitoba Prov 11¾ 89	125	103	103½	+0⅛	−1⅞	11.03
Manitoba Prov 13¾ 89	100	108½	109	0	−1⅞	11.75
Midland Int Fin 11½ 92	150	98⅝	99⅛	+0⅜	−1¼	11.68
Nat West Fin 11¾ 92	150	100⅛	100⅝	−0⅜	−1	11.66
New Brunswick 15¼ 87	75	110⅜	111¼	0	−1¼	11.98
Newfoundland 15½ 90	75	109⅞	110⅜	−0⅛	−2	13.25
Nova Scotia Prv 15¼ 89	75	112⅝	113⅛	−0⅛	−2⅛	12.19
Ontario Hydro 11⅛ 89	200	100¾	101¼	+0⅛	+0⅛	11.03
Ontario Hydro 12¾ 92	200	104½	105	+0⅛	−2¾	11.87
Ontario Hydro 15 92	150	114⅝	115⅛	−0⅜	−2⅜	12.21
Prudential O/S 12¾ 87	150	104⅝	105⅛	−0½	−1½	11.28
Quebec Hydro 11½ 92 D	100	97¼	97¾	0	−1⅛	11.93
R. J. Reynolds 12¾ 89	100	104¾	105¼	−0⅜	−1⅜	11.68
Saskatchewan Prov 15 92	150	113	113½	0	−2⅛	12.51
Shell Canada 14⅜ 92	125	105⅜	105⅞	−0⅛	−2xxx	13.07
Superior O/S Fin 14 89	125	105⅛	105⅝	−0⅜	−1½	12.44
Swed Exp Credit 14¾ 90	100	106½	107	−0⅛	−1⅜	13.21
Swiss Bk Corp 10¼ 90	125	97⅞	98⅜	+0¼	−1⅝	10.67
U.B.S. 10⅝ 87	200	100½	101	0	−2½	10.52
U.B.S. 11 88	150	100⅞	101⅜	−0⅛	−3	10.74
Walt Disney Pro 12½ 88	75	103½	104	0	−2	11.59
World Bank 10⅞ 90	200	97½	98	+0½	−1⅜	11.36
World Bank 11⅛ 98	100	96⅝	96⅞	+0⅜	−2⅜	11.81
World Bank 13¼ 87	300	105¼	105¾	+0¼	−2⅛	11.62

Av. price changes: on day 0, on week −1⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 8⅛ 92	80	100	100⅝	+0⅛	−1	8.19
Asian Dev Bank 8¼ 92	150	99	99¾	0	−0½	8.34
Asian Dev Bank 9¼ 92 (AG)	150	103	103⅝	−0½	−1½	8.70
Australia 7¾ 92	200	101⅞	102⅝	+0½	−2⅛	7.41
Bayer Capital 7⅞ 89	150	99⅝	100⅛	−0⅛	−1⅛	7.87
Beecham Fin 8½ 92	125	99⅞	100⅝	−0¼	−1⅛	8.08
Black & Decker 9⅛ 89	100	103½	104¼	−0⅛	−1½	8.32
Caisse Nat Tele 8 93	100	99	99¾	+0¼	+0¼	8.09
E.C.S.C. 7½ 93	150	98	98¾	+0⅜	+0⅜	7.74
E.C.S.C. 8 94	200	100	100¾	0	−1⅛	7.94
E.E.C. 8 94	200	99⅞	100⅝	0	−1¼	7.98
E.I.B. 8⅛ 92	200	100⅝	101⅛	0	−1⅞	8.12
GKN 8⅝ 89	100	97⅞	98⅜	−0¼	−0½	8.77
Gould Int Fin 8¼ 88	75	100½	101¼	0	−1	8.07
Ireland 8⅞ 91	150	98⅞	99⅜	+0⅜	−0⅛	9.01
ITT Antilles 9¼ 92	100	105⅛	106⅜	−0⅛	−1⅛	8.23
McDonalds Fin 7½ 92	100	99⅝	100⅜	+0⅝	−0⅛	7.12
Mitsubishi Heavy 7⅝ 87	150	99⅝	100½	+0¼	−0¼	7.50
Norsk Hydro 9 92	100	104½	105¼	−0⅛	−1⅞	8.23
O.K.B. 8⅝ 88	100	102⅜	103⅛	+0⅜	−1⅜	8.28
Philips Lamps 8½ 92	100	106½	107¼	−0⅛	+0⅛	7.45
Sweden Kingdom 8¼ 88	150	99¾	100½	+0⅜	−2½	8.22
World Bank 8¼ 92	200	100⅝	101⅛	+0⅛	−1⅜	8.06
World Bank 8 92	200	104⅛	104⅞	0	−1½	8.29

Av. price changes: on day +⅛, on week −1⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 6¼ 92	100	102⅝	102⅞	−0½	0	5.87
Bowater In Fin 6 92	100	103⅜	103⅝	−0⅛	−0¼	5.53
Chugoku Ele pow 6⅛ 91	100	102⅞	103⅛	−0¼	+0⅛	5.65
City of Oslo 6¼ 92	100	104⅜	104⅝	−0⅛	−1⅛	5.63
E.E.C. 6¼ 92	100	103⅞	104⅛	−0¼	−0¼	5.70
E.I.B. 6¼ 92	100	103⅝	103⅞	0	−0⅜	5.73
Europarat 6⅝ 92	100	103⅞	104⅛	−0⅛	0	6.19
First Interstate 6 92	100	103⅝	103⅞	0	−0⅛	5.58
Gaz de France 6 93	100	103⅛	103⅜	+0¼	+0½	5.57
Japan Air Lines 6 94	100	104⅞	105⅛	0	−0⅛	5.41
Japan Dev Bk 5¼ 92	100	101¼	101⅝	0	+0⅜	5.08
Kawasaki Steel 6½ 92	100	103⅝	103⅞	+0⅛	−0⅜	5.97
KLM Dutch Air 6¼ 92	80	104⅝	104⅞	+0½	+0½	5.68
Kyushu Elec Power 6 92	100	102	102¼	−0⅛	+0⅛	5.71
Montreal Urban 6½ 92	100	105⅝	105⅞	−0¼	−0½	5.74
New Zealand 5¼ 92	100	102⅜	102⅝	0	−0¼	4.92
Nisshin Steel Co 6⅛ 92	100	102¾	103	−0⅜	+0⅜	5.88
O.K.G. 6⅝ 93	80	101⅝	101⅞	+0¼	+0⅛	6.50
Philip Morris 5¼ 92	100	103⅜	103⅝	−0⅛	−0⅜	4.79
Philips Lamps 5¾ 92	100	104⅝	104⅞	−0⅛	−0½	5.15
Quebec 5¾ 92	100	103⅝	103⅞	−0⅛	0	6.25
Sweden Kingdom 5⅞ 92	100	101¾	102	+0⅛	+0⅛	5.62
Tokyo Elec Power 5⅞ 92	100	102⅞	103⅛	0	−0½	5.47
Tokyo Metropolis 5⅝ 92	100	100⅞	101⅛	−0⅜	−0½	5.24
World Bank 5½ 93	100	101⅝	101⅞	0	0	5.27
World Bank 6¼ 92	100	105⅞	106⅛	+0⅛	+1⅜	5.43

Av. price changes: on day −⅛, on week −⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅝ 92	15	105¼	106	−0⅛	−2⅛	7.77
E.I.B. 8¼ 92	15	103¼	104	−0½	−2	7.88
Japan Airlines 7⅞ 87	9†	100½	101	+0½	−1⅞	7.65
New Zealand 8⅝ 87	15†	100	100	+2⅛	+0½	8.30
World Bank 8⅝ 92	20†	104	104½	−1⅛	−2⅛	7.78

Av. price changes: on day −⅛, on week −1⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Brit Col Tel 17¼ 88 CS	50†	113⅛	113⅝	−0⅜	−0⅜	13.61
Can Utilities 17 87 CS	35†	113¾	114¼	−0½	0	12.89
Gaz de France 15 89 CS	75†	105⅛	105⅝	−0⅜	−1¼	13.44
Gaz Metro 14½ 92 CS	40†	105	106	+0⅛	+0⅛	13.44
O.K.B. 16¼ 88 CS	63†	114½	115	+0½	+1½	12.29
Quebec Hydro 14 92 CS	80†	107⅛	107⅝	+0¼	−0¼	12.68
Univ Quebec 16⅝ 87 CS	17†	105	105½	−1	−1	14.83
Ireland 12⅝ 90 Ecu	30	100⅞	101⅜	0	0	12.61
Thom Brand 12½ 87 Ecu	40	100⅞	101⅝	0	0	12.31
Amfas 9½ 87 Fl	80	104⅜	104⅞	−0½	−1⅜	8.22
Amro Bank 9½ 87 Fl	100	105⅝	106¼	−0⅜	−1¼	7.94
Nader Middb 9¼ 87 Fl	100	104⅞	105⅝	+0⅜	−1⅜	7.94
Nedlloyd Grp 10¼ 87 Fl	75	105½	106	+0¼	−1⅜	8.72
Van Lanschot 10¼ 87 Fl	50	108¼	108¾	−0¼	−0⅛	8.00
World Bank 10 87 Fl	100	107⅜	107⅞	+0¼	−1¼	8.08
O.K.B. 14 86 FF	400	97⅝	98⅛	−0⅛	+0⅛	14.88
Solvay & Cie 14¾ 86 FF	200	96⅝	97¼	−0⅛	−0⅛	15.88
B.F.C.E. 14½ 87 £	30	104⅛	105⅛	−0⅛	−0⅛	12.99
C.E.C.A. 13½ 88 £	20	100½	101½	0	−0⅜	13.28
C.N.T. 12½ 89 £	20	97¼	98¼	−0¼	−1¼	12.98
Fin For Ind 12¼ 88 £	30	99½	100½	0	−0⅜	12.21
Fin Mut Cred 12⅝ 92 £	30	21⅛	22⅛	0	−1	13.28
Gen Elec Co 12½ 88 £	50	102	103	0	0	11.89
Hiram Walker 14¼ 86 £	25	103⅞	104⅞	−0⅜	−0⅜	12.46
Mort Bk Fin 11¾ 88 £	15	22	23	−0⅛	−1⅛	13.00
Norsk Hydro 12 90 £	30	24⅝	25⅝	−0⅜	−0⅛	13.34
Norsk Hydro 14½ 87 £	30	104¼	105¼	−0⅛	−0½	12.98
Quebec 14½ 89 £	30	101⅞	102⅞	−0⅛	−0⅜	13.87
Quebec 15½ 87 £	35	106⅞	107⅞	−0⅛	−0¼	13.21
S.D.R. France 15½ 92 £	30	103	104	0	−0⅜	14.75
S.N.C.F. 11½ 88 £	30	16⅜	17⅜	+0⅛	−2⅛	13.43
Tenneco Int 14⅝ 87 £	30	104⅝	105⅝	+0⅛	+0½	13.11
World Bank 11⅝ 81 £	75	22¼	23	−0⅛	−1⅜	12.95
Eurofima 10½ 87 LuxFr	500	98½	100½	−0⅛	−0⅛	10.47
Europarat 12½ 92 LuxFr	500	104⅛	105⅛	−0⅛	−0½	11.64

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
Allied Irish 5¼ 92	0¼	97⅝	98⅛	15/4	10⅝	10.88
Bank of Tokyo 5¼ 91 (D)	0⅛	99¾	100¼	10/6	9¾	9.75
Bank Nova Scotia 5¼ 93	0⅛	99⅜	99⅞	29/4	10½	10.54
B.F.C.E. 5¼ 88	0⅛	98⅝	99⅛	28/7	9¼	9.34
B.F.C.E. 5¼ 87	0⅛	99	99½	27/1	14	14.11
Caisse Nat Tele 5¼ 90	0¼	98⅝	99⅛	21/4	10.56	10.67
C.C.C.E. 5¼ 2002	0⅜	97⅝	98⅛	11/3	9⅞	10.09
Cepme 5¼ 92	0¼	98¼	98¾	16/6	9.94	9.99
Chemical NY 5¼ 94 ††	0⅛	99⅞	100⅜	23/3	9.94	9.93
Credit Agricole 5¼ 97	0¼	99¼	99¾	24/3	12⅞	12.94
Credit du Nord 5¼ 92	0¼	98⅝	99⅛	23/6	10⅛	10.23
Credit Lyonnais 5¼ 97	0⅛	99¼	99¾	1/4	12.19	12.25
Credit Lyonnais 5¼ 84	0¼	98⅞	99⅜	5/7	9⅝	9.841-
Credit Nat 5¼ 94 ††	0⅛	98¾	99½	9/3	12.18	2.28
Kansallis Osake 5½ 92	0¼	99½	100	6/5	10.06	10.06
Lloyds Eurofin 5¼ 93 §	0⅛	99⅞	100⅜	29/4	10.56	10.55
Long Term Cred 5¼ 92	0⅛	99⅝	100⅛	27/6	10⅛	10.14
J.P. Morgan 5¼ 97 §	0⅛	99⅞	100⅜	14/2	10.06	10.05
Nat West Fin 5¼ 91 §	0¼	99¾	100¼	15/7	9¼	9.26
New Zealand 5¼ 87	0⅛	100⅛	100⅝	7/4	12½	12.45
NZ Steel Dev 5¼ 92	0¼	99⅝	100½	22/6	10.19	10.28
Nippon Credit 5¼ 90	0⅛	99⅞	100⅜	10/2	13⅞	13.88
Offshore Mining 5¼ 91	0¼	99¾	100¼	2/6	10.44	10.44
Scotland Int 5¼ 92	0⅛	99⅝	100¼	23/3	13¼	13.26
Sec Pacific 5¼ 91	0⅛	99⅜	100⅜	24/5	10.06	10.05
Société Générale 5¼ 95	0¼	99	99½	1/3	12.81	12.91
Standard Chart 5¼ 91	0⅛	99¾	100½	18/5	10.69	10.67
Sweden 5¼ 89	0⅛	99⅛	99⅝	28/2	11.81	11.88

Av. price changes: on day 0, on week −⅛

CONVERTIBLE BONDS	Conv. date	Conv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	88⅜	89⅞	+2⅞	1.98
Bridgestone Tire 5½ 96	3/82	478	96	97½	+3½	5.98
Canon 7 97	7/82	748.2	159⅝	161⅞	+10⅝	6.19
Fujitsu Fanuc 4½ 96	10/81	5614	95½	97½	+0½	21.40
Hitachi Cable 5¼ 96	2/82	515	92⅜	93⅞	+4⅜	1.38
Hitachi Credit Corp 5 98	7/81	1612	93¼	95¼	+0⅛	28.11
Honda Motor 5½ 97	3/82	835.6	117½	119	+5⅜	3.54
Kawasaki 5⅜ 96	9/81	229	71	72½	+4⅛	31.53
Komagai Gumi 6½ 97	10/82	400	108⅝	110⅛	+4½	3.69
Kyowa Hakko 6⅛ 97	2/83	782	101⅞	102⅞	+2⅞	14.19
Marui 6 96	7/81	846.4	116	117½	+3⅜	3.86
Minolta Camera 5 96	10/81	826.4	70¼	71¾	+3⅝	38.00
Minorco 9¼ 97 †	5/82	8.16	137	139	+6	5.33
Murata 5¼ 96	7/81	1971	87⅛	88⅝	+4¼	22.82
NKK 6½ 96	7/81	188	80½	82	+3	27.61
Nippon Electric 5¼ 97	2/82	804.2	116½	118	+6⅛	10.67
Olympus Optical 6⅝ 97	12/82	1331	102⅝	104⅛	+0⅛	14.86
Orient Finance 5⅛ 97	3/82	1205	98¼	99⅝	+10⅜	1.66
Sanyo Electric 5 96 †	10/81	652	80½	82	+2¼	25.42
Sumitomo Electric 5½ 97	3/82	577.3	97⅛	98⅝	+3⅞	12.70
Sumitomo Metal 5¼ 96	10/81	296.1	72⅛	73⅝	+2⅞	48.73
Olympus Opt 4½ 92 SF	12/82	1331	106⅜	108⅝	−0⅜	39.08
Konishiroku 6⅜ 88 DM	6/82	616	108½	109½	−2	5.86
Mitsubishi Heavy 6 89 DM	2/82	263	100⅛	101⅛	−0⅜	8.09
San Realty 6¼ 92 DM	2/83	365	106⅝	107⅝	+0⅛	1.51

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. = current coupon. Cu. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Quarterly Results

BALL CORP.

Fourth quarter	1982 $	1981 $
Revenue	193.3m	194.9m
Net profits	7.86m	6.81m
Net per share	0.63	0.62
Year		
Revenue	889.1m	816.2m
Net profits	34.52m	29.25m
Net per share	3.16	2.76

BECTON DICKINSON

First quarter	1982/83 $	1981/82 $
Revenue	255.8m	262.4m
Net profits	17.83m	19.46m
Net per share	0.83	0.92

BORDEN

Fourth quarter	1982 $	1981 $
Revenue	1.06bn	1.06bn
Net profits	42.72m	42.39m
Net per share	1.50	1.44
Year		
Revenue	4.11bn	4.42bn
Net profits	165.86m	159.94m
Net per share	5.81	5.46

BUCYRUS-ERIE

Fourth quarter	1982 $	1981 $
Revenue	171.1m	175.1m
Net profits	5.06m	5.66m
Net per share	0.25	0.28
Year		
Revenue	667.3m	498.4m
Net profits	25.7m	37.65m
Net per share	1.26	1.84

CABOT CORPORATION

First quarter	1982/83 $	1981/82 $
Revenue	379.3m	399.7m
Net profits	19.70m	25.55m
Net per share	0.62	0.81

CONSOLIDATED EDISON

Fourth quarter	1982 $	1981 $
Revenue	1.26bn	1.12bn
Net profits	100.5m	84.4m
Net per share	0.71	0.58
Year		
Revenue	5.06bn	4.86bn
Net profits	492.6m	448.0m
Net per share	3.55	3.22

CORNING GLASS

Fourth quarter	1982 $	1981 $
Revenue	365.9m	363m
Net profits	42.9m	1.9m
Net per share	2.03	0.14
Year		
Revenue	1.58bn	1.71bn
Net profits	74.6m	103.7m
Net per share	3.52	4.92

CONSOLIDATED FOODS

Second quarter	1982/83 $	1981/82 $
Revenue	1.62bn	1.44bn
Net profits	41.54m	37.04m
Net per share	1.39	1.30
Six months		
Revenue	3.25bn	2.86bn
Net profits	79.33m	72.44m
Net per share	2.66	2.52

CRANE COMPANY

Fourth quarter	1982 $	1981 $
Revenue	240.7m	373.2m
Net profits	680,000	14.88m
Net per share	0.07	1.45
Year		
Revenue	1.13bn	1.61bn
Net profits	13.34m	53.81m
Net per share	†0.33	5.17

† Loss

DRAVO CORP.

Fourth quarter	1982 $	1981 $
Revenue	250.9m	379.4m
Net profits	†5.43m	4.95m
Net per share	—	0.37
Year		
Revenue	1.15bn	1.46bn
Net profits	†4.54	16.34m
Net per share	—	1.23

† Loss

ETHYL CORPORATION

Fourth quarter	1982 $	1981 $
Revenue	383.6m	430.3m
Net profits	25.1m	23.1m
Net per share	1.30	1.20
Year		
Revenue	1.61bn	1.76bn
Net profits	96.17m	90.88m
Net per share	4.68	4.56

FEDERAL PAPER

Fourth quarter	1982 $	1981 $
Revenue	157.5m	168.7m
Net profits	3.1m	11.4m
Net per share	0.47	1.70
Year		
Revenue	508.9m	520.3m
Net profits	16.1m	31m
Net per share	2.48	4.61

GOULD INC.

Fourth quarter	1982 $	1981 $
Revenue	412.8m	418.9m
Net profits	26.4m	25.9m
Net per share	0.60	0.58
Year		
Revenue	—	1.56bn
Net profits	90.5m	87.4m
Net per share	2.10	1.96

HERCULES

Fourth quarter	1982 $	1981 $
Revenue	578m	641m
Net profits	22.4m	16.1m
Net per share	0.40	0.38
Year		
Revenue	2.46bn	2.71bn
Net profits	98.4m	136.5m
Net per share	2.22	3.09

KELLOGG

Year	1982 $	1981 $
Revenue	2.37bn	2.32bn
Net profits	227.8m	205.4m
Net per share	2.98	2.69

KIMBERLY-CLARK

Fourth quarter	1982 $	1981 $
Revenue	740.7m	730.1m
Net profits	26.8m	38.6m
Net per share	1.19	6m
		1.80
Year		
Revenue	2.95bn	2.89bn
Net profits	197.4m	204.7m
Net per share	8.83	9.12

MARTIN MARIETTA

Fourth quarter	1982 $	1981 $
Revenue	940.3m	860.4m
Net profits	†2.4m	38.6m
Net per share	†0.11	1.08
Year		
Revenue	3.52bn	3.29bn
Net profits	91.6m	200.1m
Net per share	2.92	5.39

† Loss

MEDIA GENERAL

Fourth quarter	1982 $	1981 $
Revenue	117.9m	99.2m
Net profits	8.5m	8.8m
Net per share	1.20	1.23
Year		
Revenue	429.4m	366.5m
Net profits	32.5m	31.6m
Net per share	4.60	4.41

NORTHWEST BANCORP

Fourth quarter	1982 $	1981 $
Revenue	—	—
Net profits	9.6m	17m
Net per share	0.21	0.63
Year		
Revenue	—	—
Net profits	89.1m	100.1m
Net per share	2.92	3.67

OWENS-CORNING FIBERGLAS

Fourth quarter	1982 $	1981 $
Revenue	647.7m	598.0m
Net profits	20.24m	9.32m
Net per share	0.68	0.30
Year		
Revenue	2.37bn	2.37bn
Net profits	29.69m	42.31m
Net per share	0.96	1.38

PHILADELPHIA ELECTRIC

Fourth quarter	1982 $	1981 $
Revenue	633.5m	621.2m
Net profits	81.8m70m	
Net per share	0.54	0.53
Year		
Revenue	2.64bn	2.43bn
Net profits	336.2m	277.6m
Net per share	2.39	2.25

ROLLINS INC

Second quarter	1982/83 $	1981/82 $
Revenue	110.3m	132.1m
Net profits	5.66m	11.49m
Net per share	0.22	0.42
Six months		
Revenue	228.4m	265.9m
Net profits	10.83m	21.91m
Net per share	0.42	0.78

SAFECO

Fourth quarter	1982 $	1981 $
Revenue	368.4m	345.8m
Net profits	28.6m	309.4m
Net per share	1.53	1.61
Year		
Revenue	1.49bn	1.44bn
Net profits	107.6m	109.8m
Net per share	5.73	5.78

SINGER CO.

Fourth quarter	1982 $	1981 $
Revenue	621.7m	651.2m
Net profits	†3.2m	3.0m
Net per share	†0.27	0.11
Year		
Revenue	2.52bn	2.70bn
Net profits	†2.9m	38.4m
Net per share	†0.49	1.93

† Loss

SMITHKLINE-BECKMAN

Fourth quarter	1982 $	1981 $
Revenue	771.3m	682.4m
Net profits	117.52m	106.84m
Net per share	1.42	1.29
Year		
Revenue	2.97bn	1.99bn
Net profits	465.16m	406.49m
Net per share	5.51	4.93

SOO LINE RAILROAD

Fourth quarter	1982 $	1981 $
Revenue	67.7m	85.9m
Net profits	2.41m	10.98m
Net per share	0.31	1.44
Year		
Revenue	284.2m	329.7m
Net profits	15.29m	36.39m
Net per share	2.01	4.79

TEREX CORPORATION

Third quarter	1982/83 $	1981/82 $
Revenue	75.7m	52.9m
Net profits	7.91m	3.43m
Net per share	0.56	0.27
Nine months		
Revenue	190.2m	158.8m
Net profits	21.04m	8.30m
Net per share	1.52	0.66

VIRGINIA ELECTRIC POWER

Fourth quarter	1982 $	1981 $
Revenue	595.1m	553.0m
Net profits	72.78m	67.18m
Net per share	0.51	0.51
Year		
Revenue	2.36bn	2.16bn
Net profits	278.8m	237.8m
Net per share	1.98	1.77

ZALE

Third quarter	1982/83 $	1981/82 $
Revenue	381.6m	402.5m
Net profits	23.2m	30.9m
Net per share	2.05	2.87
Nine months		
Revenue	772.4m	792.8m
Net profits	12.3m	38.3m
Net per share	†0.20	3.23

† Loss

مكبرا عن الاصل

SECTION III CONTENTS

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday January 26 1983

Instability warning on EEC grain policies, Page 27

WALL STREET

Prospect of cheaper oil brings rally

ALARM over Opec's debacle in Geneva may have been a principal cause of Monday's dramatic fall on Wall Street. If it was, the fears seem to have faded overnight and many shares yesterday began to recover their ground, *writes Duncan Campbell-Smith in New York.*

The morning saw a broad market rally which analysts generally found easier to reconcile with the prospect of lower crude oil prices opened up by Opec's predicament. Strength in the airline stocks and renewed weakness among the oil and oil service sectors certainly echoed the market's traditional response in the circumstances.

Elsewhere in the market many shares showed resilience in the face of a spate of poor corporate results which included several heavy losses for 1982. The Dow Jones industrial average amply relfected this disregard for evidence of the recession's continuing impact. It set off with a rapid 10-point gain and had built further on this advance by 2pm, rising 11.77 to 1,041.94. It closed up 11.86 at 1,042.03.

Among the oils Exxon had fallen $⅛ by early afternoon to $29⅝ and Standard Oil of California $⅜ to $31⅝. Both companies reported lower earnings for 1982. Other notably weak shares in the group again included Standard Oil of Indiana.

Principal gainers among the airlines were UAL, up $1¼ to $33¼, and Delta Airlines, up $3 to 44¼ after a delayed opening. Eastern Airlines, which reported a $74.9m loss for last year despite a $51.9m non-operating gain, was up $¼ to $9.

Sizeable losses were also reported for 1982 by two of the leading U.S. paper and forestry products companies. Mead picked up $¼ to $19⅞ by early afternoon and St Regis Paper $1 to $25⅛.

Most of the cyclical heavy industry groups gave the same impression of having discounted 1982 company performances to the full. In the chemicals companies with lower earnings included Monsanto, up $1¼ to $81, and Union Carbide, up $¾ to $55⅝. In steels U.S. Steel gained $⅛ to $19⅞ after announcing a loss of $363m in its fourth quarter.

The undoubted star of the equity market, however, and one of the most heavily traded stocks of the day, was Digital Equipment, which by mid-afternoon was $8½ up at $113½. Texas Instruments gained $7 to $159⅝.

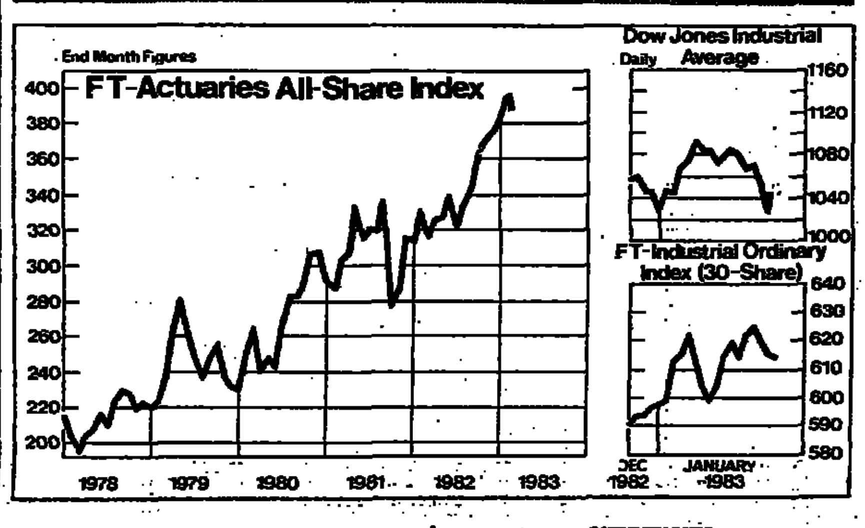
The bond and money markets enjoyed a quieter session after their buffeting of the previous two days. Federal Funds traded a little higher, around 8½ per cent, until the Federal Reserve announced a $1.2bn customer repurchase agreement and then fell back to 8⅜ per cent.

Treasury bill prices firmed appreciably. The one-year bill, which attracted an average discount yield of 8.24 per cent the previous afternoon, was yielding 8.12 per cent by midsession. The three and six-month bills also picked up by about 10 basis points.

The government bond market strengthened a quarter to a half-point across the board in thin trading as dealers speculated about the impact if any, of President Reagan's State of the Union address later. The corporate market lagged a little behind, with most issues gaining only an eighth to 1 quarter-point. Retail buying in the market was light, dealers said, though interest in the high coupon area was again evident.

Investors in **Toronto** were not immediately convinced of the wisdom of resuming buying on any scale, and prices continued to drift slightly lower through the morning. Gains were led by the golds, but base metal stocks were up too. The oil and gas sector found itself under renewed pressure. Banks were again heading weaker in **Montreal.**

KEY MARKET MONITORS



STOCK MARKET INDICES

	Jan 25	Previous	Year ago
NEW YORK			
DJ Industrials	1042.03	1030.17	842.75
DJ Transport	450.37*	442.9	340.31
DJ Utilities	123.94*	123.57	104.18
S&P Composite	140.51*	139.97	115.41
LONDON			
FT Ind Ord	614.2	605.7	568.9
FT-A All-share	389.30	387.41	325.73
FT-A 500	423.67	420.99	346.40
FT-A Ind	396.47	393.29	313.32
FT Gold mines	613.4	601.2	275.1
FT Govt secs	77.21	77.0	63.80
TOKYO			
Nikkei-Dow	7,803.18	7,833.99	7,906.26
Tokyo SE	574.51	575.96	582.87
AUSTRALIA			
All Ord.	528.5	537.6	543.3
Metals & Mins.	463.9	477.7	383.5
AUSTRIA			
Credit Aktien	49.72	49.71	54.78
BELGIUM			
Belgian SE	105.03	105.97	88.18
CANADA			
Toronto Composite	1976.1*	1977.5	1721.3
Montreal			
Industrials	342.41*	342.76	296.26
Combined	329.07*	329.38	282.63
DENMARK			
Copenhagen SE	103.20	104.25	96.87
FRANCE			
CAC Gen	103.20	104.1	104.70
Ind. Tendance	105.70	106.0	110.70
WEST GERMANY			
FAZ-Aktien	241.89	241.92	229.28
Commerzbank	727.90	738.3	683.0
HONG KONG			
Hang Seng	888.45	879.6	1405.23
ITALY			
Banca Comm.	180.66	180.48	189.93
NETHERLANDS			
ANP-CBS Gen	102.5	103.1	87.1
ANP-CBS Ind	87.9	87.9	68.7
NORWAY			
Oslo SE	114.94	116.39	116.25
SINGAPORE			
Straits Times	756.30	759.84	777.82
SOUTH AFRICA			
Golds	1003.4	977.2	521.7
Industrial	818.0	821.3	705.0
SPAIN			
Madrid SE	100.65	101.22	127.27
SWEDEN			
J & P	987.37	1013.13	652.13
SWITZERLAND			
Swiss Bank	296.0	294.8	256.4

GOLD (per ounce)

	Jan 25	Prev
London	$489	$476
Frankfurt	$488.75	$476.25
Zürich	$489.50	$475.50
Paris	$487.84	$480.28
New York futures (Feb)	$490.0*	$485.0

* *Indicates latest pre-close figure*

CURRENCIES

	U.S. DOLLAR Jan 25	U.S. DOLLAR Previous	STERLING Jan 25	STERLING Previous
£	1.5370	1.5405	–	–
DM	2.4215	2.4670	3.72½	3.80¼
Yen	236.0	240.65	362¾	370¾
FFr	6.8625	6.9850	10.55	10.76
SwFr	1.990	2.0275	3.06	3.12½
Guilder	2.660	2.6990	4.09	4.16
Lira	1393¼	1415	2142	2179
BFr	47.33	48.19	72.75	74.25
C$	1.2355	1.2320	1.8995	1.8980

INTEREST RATES

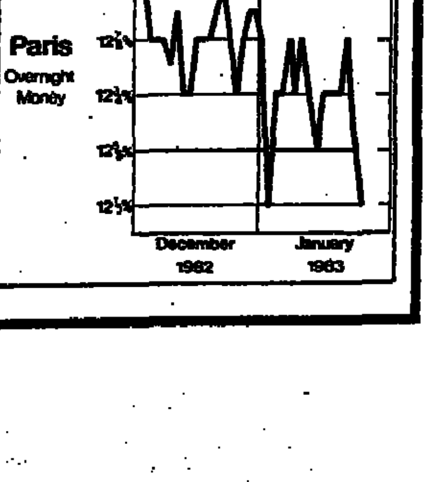
	Jan 25	Prev
Euro-currencies (three month offered rate)		
£	1111/16	11 11/16
SwFr	3	2⅞
DM	5⅝	5⅝
FFr	18⅝	19⅝
FT London Interbank fixing (offered rate)		
3-month U.S.$	9 7/16	9⅜
6-month U.S.$	9 11/16	9 9/16
U.S. Fed Funds	8¼*	8¼
U.S. 3-month CDs	8.80*	8.70
U.S. 3-month T-bills	8.03*	8.09

FINANCIAL FUTURES

Jan 25	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT) 8% $100,000 32nds of 100%				
March	74–12	74–20	74–03	74–22
U.S. Treasury Bills (IMM) $1m points of 100%				
March	91.94	92.00	91.85	92.05
Cert Deposit (IMM) $1m points of 100%				
March	90.92	90.98	90.88	91.13
LONDON	Latest	High	Low	Prev
Three-month Eurodollar $1m points of 100%				
March	90.62	90.65	90.50	90.58
20-year Notional Gilt £50,000 32nds of 100%				
March	96–05	98–07	96–20	97–23
Three-month Sterling Deposit £250,000 points of 100%				
March	88.92	89.01	88.65	89.13

LONDON COMMODITY MARKETS

	Jan 25	Prev
Silver (spot fixing)	831.3p	791.45p
Copper (Cash)	£1019.50	£998.50
Coffee (March)	£1681.50	£1654.50
Oil (spot Arabian light)	$30.62	$30.62



LONDON

Sterling shares its foothold

A FLUCTUATING sterling exchange rate determined the course of London stock markets yesterday. The pound's early dip to an all-time low against the dollar, which took place well before the official start of trade in stock markets, aroused fresh anxiety and saw dealers gloomily contemplating another uncertain trading session and a further slide in values. Minutes later, however, their views changed dramatically as the exchange rate mounted a good recovery.

Government stocks did open lower but falls of ¾, and occasionally a full point, were soon recouped as international investors chose, if only temporarily, to forget prevailing currency and U.S. interest rate worries.

Leading industrials opened near Monday's closing levels, a creditable performance in the light of Wall Street's overnight weakness. Sentiment then responded to the pound's improvement and, despite subsequent minor fluctuations in the rate, stock market values went higher to close near the day's best.

Gilts settled with net rises extending to ¾ with the volatile Treasury 12¼ per cent convertible issue due 1986 regaining an exceptional 1¼ points at 105¼.

Equity markets shrugged aside disappointment with the outcome of the water strike negotiations and took some heart from Middle East reports that the Gulf states were talking about another producers' meeting.

Hopes of a Wall Street recovery were later confirmed, and London's leading shares went progressively firmer. After being only fractionally harder at the first calculation, the FT Industrial Ordinary index closed 8.5 up at the session's best of 614.2.

The recovery in the bullion price and the steadier performance of sterling led to fresh buying of South African golds.

AUSTRALIA

Resources poor

THE RESOURCE sector was again a severely weak feature in **Sydney** as oils and golds – suffering respectively from Opec disarray and cheaper bullion – took their customary toll on the broader market in moderately active trading.

The All Resources index slipped 13.4 to 419.9, the major element behind a 9.2 fall in the All Ordinaries to 528.5. Industrials escaped the worst, reflected in a 4.2 lower finish for their indicator to 663.2, but with interest rate worries spreading, values there could not be expected to hold.

Declines overall outnumbered advances by 183 to 69, while 160 issues were traded but did not change on the day.

Among industrials in **Melbourne,** CUB gained 10 cents to A$2.35 in active dealings.

SOUTH AFRICA

Golds revive

GOLD shares recovered most of Monday's severe losses in active Johannesburg trading as the bullion price regained ground through the day. But the trend was not uniformly followed elsewhere in the market – industrials finished mixed where changed and platinums eased.

Of the heavyweight gold producers, Randfontein recouped R7.50 of its R9 loss on Monday, while gains of more than a rand were found among cheaper priced issues.

Anglo-American in mining financials added 80 cents to R23.40 and Amgold R8 to R149. De Beers, the diamond giant, was 25 cents ahead at R9.10.

FAR EAST

Rates cloud closes in over Tokyo

LATE bargain hunting pared further heavy losses on the **Tokyo** stock exchange yesterday, but the overriding dampeners continued to be a weak yen, poor performances on Wall Street, and dwindling hopes of an immediate cut in the official Japanese discount rate.

Mr Haruo Maekawa, governor of the Bank of Japan, repeated his cautious stance on rate reductions, saying "the international currency situation remains obscure in many aspects, and extremely unstable yen-dollar exchange rates had to be watched carefully before taking any action.

"No major stimulating effect can be expected in fiscal policies in view of the pressing need to reconstruct the state finances," he added.

A half-point cut in the discount rate from its present 5½ per cent had been widely forecast in recent weeks.

The Nikkei-Dow Jones market average shed 30.81 to 7,803.18, after being as much as 82 points lower in the morning, but trading remained fairly thin at 310m shares. Large capital issues such as shipbuilders, computer makers and trading houses were sold on interest rate considerations, and only some high-priced issues and a few drug shares achieved gains.

Dealers said the failure of the Organisation of Petroleum Exporting Countries' meeting in Geneva had come as an added disappointment. Nippon Oil, which overnight had announced a cut in petrol prices, lost a further Y11 to Y949 after a Y21 setback on Monday.

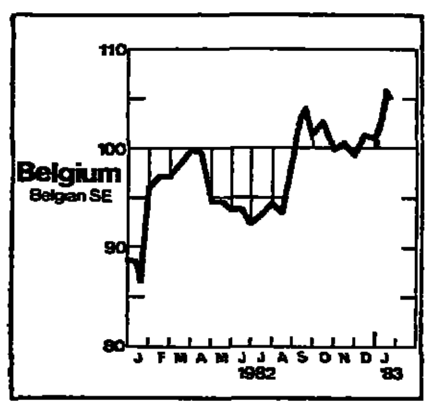
Mitsui Mining and Smelting managed an active Y25 advance to Y549, as investor interest was reportedly kept alive by drilling at a Mitsui gold mine in southwestern Japan.

Government bond prices largely levelled off in the afternoon following their substantial and steady recent retreat, but brokers said the weak yen was forcing potential buyers to stay out of the market.

Light two-day trading in **Hong Kong** emerged after a weaker opening to leave shares steady to slightly higher. It was noted that overseas investors remained mainly buyers and that most of the selling came from local participants.

Of the leaders, Jardine Matheson had the best of the running with a 30 per cent improvement to HK$14.10. Hang Seng was prominent among the major banks, many of which were unchanged. It finished HK$2 stronger at HK$49.50.

Malaysian buying interest, in evidence in **Singapore,** operated very selectively and many issues ended lower. Properties were the focus – in particular Selangor, which added 15 cents to S$5.05, and UOL, where a stock shortage prompted a switch to warrant purchases.



EUROPE

Absence of steels dulls Frankfurt

TRADING in six leading West German steel shares was suspended in **Frankfurt** yesterday pending the recommendations of the independent panel appointed to examine the industry, and their absence made for a dull session with limited demand.

Dealers said the proposal to consolidate steelmaking around two large groups had a generally positive effect on the market. Machinery and plant engineering stocks picked up, while many major chemicals also finished higher.

Hesitance was noted against the background of the start of a constitutional challenge to the calling of the March 6 federal elections.

Domestic bonds ended within a half-point either side of their previous close, and the Bundesbank was able for the first time in several days to sell paper, disposing of DM 14.4m worth to balance the market. On Monday it was required to buy DM 254.4m worth.

Steels did moderately well in an otherwise mixed **Brussels** session, with Gevaert adding BFr 5 to BFr 1,820 and Tessenderlo BFr 8 to BFr 926. The Belgian shares index eased 0.94 to 105.03.

In easier oils Petrofina held steady but its Canadian and U.S. equivalents in the foreign sector fell.

Selling predominated throughout the day in **Paris,** eradicating Monday's buoyant tone as a new account opened, but the extent of losses was fairly restrained. Dealers attributed the downturn to Wall street and Opec disappointments.

Increased liquidity in the money market was reflected in an easing in call money to 12½ per cent, equalling its January 5 level which was the lowest since the Socialists came to power in may 1981. Monday's fixing was 12⅝ per cent.

Several big industrials in **Milan** managed to improve on the strong gains achieved on Monday after the revision of the scala mobile wage indexation system. Profit-takers pulled many others off their best, however.

KLM wiped out previous losses with a flourish in **Amsterdam,** ending Fl 11.80 stronger at Fl 148.80, as airlines would benefit from the lower world oil prices which are in prospect. Stocks there generally recovered tentatively from a lower opening.

Swissair made a similarly good showing in **Zurich,** up SwFr 20 to SwFr 740. Banks, financials and insurances fluctuated narrowly, but the domestic bond market continued its retreat in light volume.

Volvo dipped sharply in **Stockholm** ahead of annual results, but its outcome 68 per cent ahead with record sales was enough to lift the shares SKr 2 higher on the day to SKr 312.

WORLD STOCK MARKETS

NEW YORK

CANADA

(Closing Prices) Stock	Jan 25	Var.
AMCA Int.	22¼	+⅝
Abitibi	19⅛	–
Agnico Eagle	17⅞	+1⅜
Alberta Energy	16⅝	−⅜
Alcan Alumin	33⅝	+½
Algoma Steel	28¼	–
Asbestos	16½	–
Bk Montreal	25¼	−⅛
Bk Nova Scotia	33	−½
Basic Resources	1.85	+0.07
Bell Canada	23⅞	+½
Bombardier A	14	–
Bow Valley	16⅞	−1⅛
BP Canada	43¼	−⅜
Brascan A	22½	+⅞
Brinco	3.35	+0.25
B. C. Forest	9½	+⅝
CIL Inc	24⅛	–
Cadillac Fairv.	8⅝	+⅛
Can Cement	14	+⅞
Can NW Energy	58⅝	−⅜
Can Packers	35⅝	+⅛
Can Trustco	30	−½
Can Imp Bank	29⅞	−⅛
Canadian Pacific	35½	−¼
Can. P. Ent.	18⅞	−⅛
Cdn Tire	54	–
Carling O'Kfe	12⅞	−⅝
Chieftain	23⅜	−⅜
Cominco	51⅝	+½
Cons Bathst A	18½	+⅝
Coseka Resources	4.3	−0.05
Costain	7½	–
Daon Devel	1.88	–
Denison Mines	30½	−⅛
Dome Mines	24⅝	+2⅛
Dome Petroleum	3.9	−0.15
Dom Foundries A	27	+⅝
Dom Stores	18	+½
Domtar	22½	+⅛
Falcon Ltd.	53½	−1½
Genstar	22	+1
Giant Y'knife	23⅝	+2⅛
Gt West Life	200	
Gulf Canada	13⅜	−1
Gulfstream Res.	1.55	−0.05
Hawk Sid Can	14⅜	–
Hudson Bay Mng	18	+⅛
Hudson's Bay	28	–
Husky Oil	8⅛	−⅜
Imasco	30⅝	+⅜
Imp Oil A	27⅞	−1
Inco	14⅜	+⅜
Indal	18⅛	–
Interpr Pipe	22¼	+⅝
Mac. Bloedel	26½	+¼
Marks & Spencer	8⅛	–
Massey-Ferg	4.3	+0.1
McIntyre Mines	30⅛	+⅛
Mitel	34⅞	+1⅝
Moore Corp	52	+⅜
Nat. Sea Prods A	18	–
Noranda Mines	22½	+1⅛
Nova Alberta	8	−⅛
Nthn Telecom	82⅜	+⅜
Oakwood Pet	14⅝	−⅛
Pacific Copper	1.0	−0.01
Pancanadian Pet	83	−2
Patino	21	–
Placer Dev	21	+⅛
Power Corp Can	13	+⅜
Quebec Sturgn	8⅛	+½
Ranger Oil	8⅛	−⅛
Reed Stenhse A	13⅜	−⅛
Rio Algom	42½	+1
Royal Bank	28⅛	−⅜
Royal Trustco A	15⅝	+⅛
Sceptre Res	6	–
Seagram	82½	−1⅝
Shell Can A	28⅛	−1⅜
Steel of Can A	22⅜	+½
Teck B	11⅝	+⅜
Texaco (Canada)	28	−½
Thomson News A	27⅝	–
Toronto Dom Bank	41¼	−⅛
Transalta A	20½	−⅜
Trans. Can. Pipe	28	–
Walker (H) Res	21⅛	−⅛
Westcoast Trans	14⅜	+⅛
Weston (Geo)	43⅜	–

AUSTRIA

Jan. 25	Price %	+ or −
Creditanstalt	210	......
Goesser	196	......
Interunfall	375	......
Landerbank	205	......
Perlmooser	261	......
Steyr Daimler	154	......
Veitscher Mag.	177	......

BELGIUM/LUXEMBOURG

Jan. 25	Price Frs.	+ or −
ARBED	1,180	−18
Banq Int A Lux	3,900	......
Bekaert B	2,250	+25
Ciment BR	1,710	+30
Cockerill	94	+1
Delhaize	3,750	−50
EBES	1,975	+5
Electrobel	4,670	−65
Fabrique Nat	2,625	−50
G.B. Inno	2,855	−30
GBL (Brux)	1,525	−15
Gevaert	1,820	+5
Hoboken	5,985	+35
Intercom	1,590	+10
Kredietbank	4,550	......
Pan Hldgs	7,300	+300
Petrofina	4,790	......
Royale Belge	6,250	+50
Soc Gen. Banq	2,490	−5
Soc Gen Belge	1,316	−6
Sofina	3,885	−35
Solvay	2,280	−75
Traction Elect.	2,750	+10
UCB	2,850	......
VielleMont	3,930	......

DENMARK

Jan. 25	Price %	+ or −
Aarhus Olie	350	......
Andelsbanken	162.4	−0.4
Baltica Skand	323.4	+0.4
CopHandelsbank	192.4	−2.2
D. Sukkerfab	411	−3.6
Danske Bank	199.4	−0.6
East Asiatic	89.6	−0.4
Forende Brygg	662	......
Forende Damp	135	−14
GNT Hldg.	178	−2
I.S.S.B.	280.4	+0.4
Jyske Bank	297	−1
Novo Ind	2095	......
Privatbanken	188	−0.4
Provinsbanken	161.4	−0.6
Smidth (F.L.)	179.2	−3
Sophus Berend	593	−5.4
Superfos	100.6	−1

FRANCE

Jan. 25	Price Frs.	+ or −
Emprunt 4½% 1973	2,181	+31
Emprunt 7% 1973	9,230	+80
CNE 3%	3,052	−6
Air Liquide	420	−3
BIC	419	+10
Bouygues	756	−28
BSN Gervais	1,325	−10
CIT Alcatel	865	−2
Carrefour	1,336	−5
Club Mediter	525	+8
CFAO	468	−4.8
Cie Bancaire	268	−1
Cofimeg	133	+1
Creusot Loire	57.5	−0.5
Darty	780	......
Dumez	1,080	−47
Eaux (Cie Gen)	240	−1
Elf-Aquitaine	122	−4
Gen. Occidental	402	−3
Imetal	48.1	+0.1
Lafarge-Coppee	254	−3.5
L'Oreal	1,005	−4
Legrand	1,610	−20
Maisons Phenix	367	+7
Matra	1,330	−30
Michelin B.	718	−4
Midi (Cie)	647	+8.7
Moet-Hennessy	795	−4
Moulinex	67.5	−1
Nord Est	46.6	−0.2
Pernod Ricard	370	+2.5
Perrier	228.5	+1.5
Petroles (Fra.)	134.2	−5.9
Peugeot-SA	135	+3
Poclain	100.5	−0.5
Printemps Au	114.9	−0.2
Radiotech	349	+8
Redoute	888	−7
Roussel-Uclaf	240	+25
Schneider	92	+0.2
Sefimeg	173.5	......
Skis Rossignol	726	−14
Telemech Elect.	856	−4
Thompson (CSF)	153	−1.5
Valeo	215	−2.5

GERMANY

Jan. 25	Price Dm.	+ or −
AEG-Telef	29.0	−0.5
Allianz Vers	507	−6
BASF	117	+0.6
BAYER	111	+0.9
Bayer-Hypo	239	+4
Bayer-Verein	285	......
BHF-Bank	216.2	+0.7
BMW	218.5	+10
Brown Boveri	202	−3
Commerzbank	124.2	−0.9
Conti Gummi	66.1	−1.4
Daimler Benz	378	+0.1
Degussa	239.5	−0.5
Demag	120	−2
D'sche Babcock	136.5	+3.4
Deutsche Bank	258.5	−1.7
Dresdner Bank	131.1	−1.9
GHH	164.5	+1.5
Hochtief	475	......
Hoechst	107.8	+0.2
Hoesch	33.3	......
Holzmann (P)	487	+4
Horten	108.8	−1.7
Kali und Salz	158	−0.5
Karstadt	181.7	−2.8
Kaufhof	190	−0.2
KHD	201.5	+4.5
Kloeckner	55	......
Krupp	61.5	......
Linde	307	+4
Lufthansa	82	+2.9
MAN	133	+1.5
Mannesman	140.1	+1.7
MercedesHld	336.5	+1.5
Metallgesell	225	−0.1
Muench Rueck	770	......
Preussag	210	+3
Rhein West Elect	186.5	......
Rosenthal	265	−2
Schering	293	+2
Siemen	242.5	−0.3
Thyssen	68.2	......
Varta	167	......
Veba	136.8	......
V.E.W.	120	−1
Verein-West	281	......
Volkswagen	137.8	−0.6

HOLLAND

Jan. 25	Price Fls.	+ or −
ACF Holding	105	−2
Ahold	138.3	+3.3
AKZO	36.6	+1.1
ABN	294.5	+0.3
AMEV	103.5	+1.8
AMRO	44.2	−0.1
Bredero Cert	168	......
Boskalis West	31.6	......
Buhrmann Tet	35.7	+1.4
Caland Hlds	27.3	−1.1
Elsevier NDU	194.5	+4.5
Ennia	132	−1
Euro Comm Tst	74.3	......

HOLLAND (continued)

Jan. 24	Price Frs.	+ or −
Gist-Brocades	124.5	−1.5
Heineken	103	+2.6
Hoogovens	16.4	+0.4
HunterDouglas	11.4	−0.9
Int Muller	19.3	+0.7
KLM	148.8	+11.8
Naaden	36.6	+0.1
Nat Ned cert	185	+1.5
Ned Cred Bank	25.8	−0.2
Ned Mid Bank	117	......
Ned Lloyd	95	−1
Oce Grinten	185	+7
Ommeren(Van)	19.2	−0.1
Pakhoed	41	+0.7
Philips	30	+0.7
Rijn-Schelde	13.8	+1.1
Robeco	249.5	−4.0
Rodamco	134.9	−0.4
Rolinco	234	−3.5
Rorento	182	−0.7
Royal Dutch	93	−2
Stavenburgs	74	+2
Tokyo Pac Hg	224	......
Unilever	192.6	+1.1
Viking Re	109	−9
Vmf Stork	60	−1
VNU	67.7	+0.4
West Utr Bank	85.5	−4.5

ITALY

Jan. 25	Price Lire	+ or −
Banca Com'le	32,900	+480
Bastogi IRBS	172	+12
Centrale	2,215	−103
Credito Varesino	3,699	......
Fiat	1,913	+20
Finsider	72	+6
Generali (Assic)	111,800	−1075
Invest	2,050	−20
Italcement	33,000	−990
Montedison	114	+3
Olivetti	2,389	−9
Pirelli Co	2,330	−5
Pirelli Spa	1,565	+16
Snia Viscosa	815	+12
Toro Assic	11,298	−100
do. Pref	7,600	−250

NORWAY

Jan. 25	Price Kroner	+ or −
Bergens Bank	107	−2
Borregaard	92.5	......
Christiana	118	−1
Creditbank	128	+1
Elkem	45.5	−0.5
Norsk Data	160	+5
Norsk Hydro	277.5	−27.5
Storebrand	140	−2

SPAIN

Jan. 25	Price %	+ or −
Bco Bilbao	221	−4
Bco Central	272	......
Bco Exterior	200	......
Bco Hispano	212	......
Bco Santander	218	......
Bco Vizcaya	265	......
Dragados	112	−2
Hidrola	51.2	−0.8
Iberduero	43.7	+0.7
Petroleos	88.5	−2.5
Telefonica	61	−0.5

SWEDEN

Jan. 25	Price Kronor	+ or −
AGA	297	−3
Alfa-Laval	280	−16
ASEA (Free)	317	−1
Astra (Free)	1200	−50
Atlas (Copco)	104	−4
Boliden	313	−1
Cardo (Free)	570	+10
Cellulosa	445	+2
Electrolux B	155	−3
Ericsson	348	−2
Esselte (Free)	185	......
Fagersta	159	−4
Fortia (Free)	360	−15
Mo och Dom	165	......
Saab-Scania	225	−1
Sandvik B (Free)	217	−3
Skandia	750	−15
Skan Enskilda	235	+3
SKF B	117	−5
St Kopparberg	364	−6
Sven Handelsbn.	122	−1
Swedish Match	173	−5
Volvo B (Free)	312	+2

SWITZERLAND

Jan. 25	Price Frs.	+ or −
Alusuisse	548	−2
Bank Leu	4,075	......
Brown Boveri	975	+15
Ciba Geigy	1,830	+8
do (Part Certs)	1,290	......
Credit Suisse	1,936	−15
Elektrowatt	2,680	−15
Fischer (Geo)	601	−2
Genevoise	3,650	−50
Hoff-Roche PtCts	77,500	+1250
Hoff Roche 1/10	7,750	+50
Interfood	5,600	−25
Jelmoli	1,550	−10
Landis & Gyr	1,010	−5
Nestle	3,840	+20
Oer-Buehrle	1,320	+35
Pirelli	243	−1
Sandoz (B)	4,650	−50
Sandoz (Pt Cts)	690	+15
SchindlerPt.Cts.	340	......
Swissair	740	+20
Swiss Bank	316	−3
Swiss Reinsce	7,150	−50
Swiss Volksbk	1,216	+5
Union Bank	3,190	+30
Winterthur	2,670	+10
Zurich Ins	17,100	+100

AUSTRALIA

Jan. 25	Price Aust. $	+ or −
ANZ Group	3.68	−0.04
Acrow Aust	1.25	......
A.O.D.	0.79	−0.08
Ampol Pet	1.45	......
Assoc. Pulp Pap	1.85	......
Aust. Cons. Ind	1.16	......
Aust. Guarant	2.25	−0.05
Aust. Nat. Inds	2.35	−0.05
Aust. Paper	1.85	−0.02
Bond Hldgs	1.01	−0.04
Boral	2.38	−0.04
Bougainville	2.28	−0.05
Brambles Inds	2.3	−0.05
Bridge Oil	2.9	−0.1
BHP	7.06	−0.2
CRA	3.95	−0.15
CSR	3.14	−0.03
Carlton & Utd	2.32	+0.07
Castlemaine Tys	4.1	−0.15
Coles (G.J.)	2.52	−0.03
Comalco	1.95	−0.05
Consolidated Pet	0.18	−0.02
Costain	1.20	......
Dunlop	1.04	−0.01
E.Z. Inds	5.36	−0.04
Elders IXL	2.8	−0.05
Energy Res	1.63	+0.03
Gen. Prop. Trust	1.73	−0.01
Hardie (J.)	3.6	......
HartogenEnergy	1.65	−0.15
HeraldW'y Times	2.2	+0.03
ICI Aust	1.6	−0.01
Jimbalana 50c fp	0.28	−0.02
Kia Ora Gold	0.25	−0.02
Lend Lease	3.4	−0.05
Leonard Oil	0.1	......
MIM	4.05	−0.15
Mayne Nickless	2.55	......
Meekatharra	2.5	......
Myer Emp	1.2	−0.01
Nat.Comm. Bank	2.67	+0.02
News	2.25	......
Nicholas Kiwi	1.85	......
North Bkn Hill	2.02	−0.05
Oakbridge	1.35	−0.02
Otter Expl	0.66	......
Pancon	1.75	−0.05
Pioneer Co	1.58	......
Reckitt& Colman	1.82	......
Repco	1.00	......
Santos	5.4	−0.04
Smith (H)	3.4	−0.07
Southland Min'g	0.26	......
Spargos Expl	0.25	−0.01
Thos. Natwide	1.63	......
Tooth	2.55	......
UMAL Cons	1.85	−0.05
Vamgas	7.4	−0.2
Western Mining	3.9	−0.2
Westpac	2.63	−0.01
Woodside Petrol	0.82	−0.03
Woolworths	1.65	−0.06
Wormald Intl	3.1	......

HONG KONG

Jan. 25	Price H.K.$	+ or −
Bank East Asia	–	......
Carrian Invest	0.87	......
Cheung Kong	8.1	......
China Light	13.3	......
Hang Lung Devel.	1.68	......
Hang Seng Bank	48.5	+0.2
HK Electric	4.95	......
HK Kowloon Whf	3.02	......
HK Land	4.05	......
HK Shanghai Bk.	8.3	......
HK Telephone	29.6	+0.1
Hutchison Wpa	11.6	+0.2
Jardine Math	14.1	+0.3
New World Dev.	3.07	+0.05
Orient O'seas	2.25	......
O'Seas Trust Bk.	3.92	+0.02
SHK Props	5.9	+0.1
Swire Pac A	10.8	+0.2
Wheel'k Mard A.	3.45	......
WheelockM'time	1.82	......
World Int. Hold's.	1.42	+0.02

JAPAN

Jan. 25	Price Yen	+ or −
Ajinomoto	846	−18
Alps Electric	1,650	+50
Amada	567	−15
Asahi Chem	269	......
Asahi Glass	502	−8
Bridgestone	441	+1
Canon	1,090	−90
Casio Comp	1,000	+1
Chugai Pharm	1,090	+40
Citizen	316	−7
Daiei	618	−7
Dai Nippon Ptg	702	−3
Daiwa House	480	......
Ebara	346	......
Eisai	1,130	......
Fanuc	4,500	−70
Fuji Bank	500	......
Fuji Film	1,680	+50
Fujisawa	1,240	......
Fujitsu	901	−4
Green Cross	1,500	−10
Hasegawa	475	−3
HeiwaReal Est	547	+8
Hitachi	784	−8
Hitachi Credit	1,280	+40
Honda	949	−12
Housefood	929	−1
Hoya	800	......
Itoh (C)	304	−4
Ito-Yokada	1,110	......
Iwatsu	1,000	+5
JACCS	410	+1
JAL	2,260	......
Jusco	565	......
Kajima	329	......
Kao Soap	553	−2
Kashiyama	670	+7
Kirin	388	+2
Kokuyo	774	+4
Komatsu	504	......

JAPAN (continued)

Jan. 25	Price Yen	+ or −
Konishiroku	607	−8
Kubota	323	......
Kumagai	379	......
Kyoto Ceramic	4,140	+10
Maeda Const	525	−2
Makino Milling	720	−5
Makita	725	......
Marubeni	288	−2
Marudai	560	......
Marui	1,000	−10
MEI	1,160	......
M'ta Elec Works	536	......
M'bishi Bank	500	......
M'bishi Corp	323	−13
M'bishi Elect	365	−5
M'bishi Estate	445	−3
MHI	230	−1
Mitsui Co	353	−8
Mitsui Est	740	−5
Mitsukoshi	358	−5
NGK Insulators	480	−6
Nihon Cement	176	−9
Nippon Denso	1,140	−10
Nippon Elect	900	+9
Nippon Express	198	+2
Nippon Gakki	635	−5
Nippon Kokan	130	......
Nippon Oil	949	−11
Nippon Seiko	420	−8
Nippon Shimpan	790	+11
Nippon Steel	139	+1
Nippon Suisan	266	−2
NTV	4,340	......
Nippon Yusen	224	−1
Nissan Motor	763	−8
Nisshin Flour	339	−9
Nisshin Steel	137	−2
Nomura	609	−12
Olympus	1,080	−10
Omron Tateisi	971	−27
Orient Leasing	2,010	+50
Pioneer	2,190	+40
Renown	607	−10
Ricoh	686	......
Sankyo	781	−10
Sanyo Elect	433	−2
Sapporo	349	−3
Sekisui Prefab	715	−8
Seven-Eleven	5,790	−10
Sharp	1,080	−10
Shimadzu	491	−4
Shionogi	785	−5
Shiseido	941	−2
Sony	3,310	−20
Stanley	430	−10
S'tomo Elect	490	−5
S'tomo Marine	218	+1
Taihei Metal	146	−1
Taihei Dengyo	475	−5
Taisei Corp	230	−3
Taisho pharm	615	+9
Takeda	865	−6
TDK	4,450	+40
Teijin	255	+5
Teikoku Oil	839	−12
Tokio Marine	451	−10
TBS	495	−8
Tokyo Elect.Pw.	975	−15
Tokyo Gas	121	−1
Tokyo Sanyo	425	......
Tokyo Style	830	−1
Tokyo Corp	204	−2
Toppan Print	498	−7
Toray	350	−3
Toshiba	328	−2
TOTO	420	−5
Topo Seikan	490	−1
Toyota Motor	978	......
Victor	2,120	+20
Wacoal	869	+3
Yamaha	531	......
Yamahouci	1,190	......
Yamazaki	526	−4
Yasuda Fire	258	−1
Yokogawa Bdge.	410	−5

SINGAPORE

Jan. 25	Price $	+ or −
Boustead Bhd	1.85	......
Cold Storage	4.42	+0.02
DBS	8.0	−0.1
Fraser & Neave	7.1	−0.1
Genting	3.28	−0.04
Haw Par	2.39	−0.01
Inchcape Bhd	2.67	+0.01
Malay Banking	6.5	−0.05
Malay Brew	4.64	......
OCBC	9.0	−0.05
Sime Darby	1.75	......
Straits St'mship	1.74	−0.01
Straits Trading	6.6	−0.03
UOB	3.94	−0.04

SOUTH AFRICA

Jan. 25	Price Rand	+ or −
Abercom	2.95	−0.05
AE & CI	9.0	+0.4
Anglo Am. Coal	28.0	−1.9
Anglo Am	25.4	+0.6
Anglo Am Gold	149	+8
Barclays Bank	15.0	......
Barlow Rand	12.65	+0.25
Buffels	72.5	+2.0
CNA Invest.	10.20	......
Currie Finance	3.25	......
De Beers	9.05	+0.2
Driefontein	46.5	+1.5
FS Geduld	68.25	+3.25
Gold Fields SA	141	−3
Highveld Steel	5.50	−0.25
Nedbank	11.75	−0.25
OK Bazaars	26.5	−0.5
Protea Hldgs	2.90	−0.05
Rembrandt	18.85	......
Rennies	6.6	......
Rustenburg	8.25	−0.65
Sage Hldg	4.30	+0.15
SA Brews	7.05	−0.20
Smith (C.G.)	20.75	−0.25
TongaatHuletts	8.8	−0.2
Unisec	4.05	−0.10

Financial Rand US$0.75 (Discount of 19½%)

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Indices

NEW YORK—DOW JONES

	Jan 25	Jan 24	Jan 21	Jan 20	Jan 19	Jan 18	1982-83 High	1982-83 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	1042.03	1038.17	1052.88	1070.82	1058.88	1070.66	1092.35 (6/1/83)	776.92 (12/8/82)	1092.35 (6/1/83)	41.22 (2/7/32)
Transport	450.76	442.9	448.78	456.8	457.35	458.88	471.81 (11/1/83)	292.12 (12/8/82)	471.81 (11/1/83)	12.23 (8/7/32)
Utilities	123.8	123.57	125.06	125.78	124.48	124.4	126.78 (20/1/83)	103.22 (29/7/82)	163.32 (20/4/69)	10.06 (28/4/42)
Trading vol 000s	7974	8880	7711	8278	8090	7838	–	–	–	–

	Jan 14	Jan 7	Dec 31	(Year Ago Approx)
Ind div yield %	5.01	5.03	5.17	6.52

STANDARD AND POORS

	Jan 25	Jan 24	Jan 21	Jan 20	Jan 19	Jan 18	1982-83 High	1982-83 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	158.2	157.16	161.71	164.58	163.38	164.5	164.73 (17/1/83)	114.08 (12/8/82)	164.73 (17/1/83)	3.52 (30/6/32)
Composite	141.74	139.97	143.85	146.29	145.27	146.4	146.78 (10/1/83)	102.42 (12/8/82)	146.78 (10/1/83)	4.4 (1/6/32)

	Jan 19	Jan 12	Jan 5	Year Ago (Approx)
Ind div yield %	4.38	4.35	4.50	5.87
Ind. P/E Ratio	11.35	11.38	10.94	7.77
Long Gov Bond Yield	10.60	10.41	10.43	14.13

N.Y.S.E. ALL COMMON

Jan 25	Jan 24	Jan 21	Jan 20	1982-83 High	1982-83 Low
81.82	80.92	83.18	84.61	84.79 (11/1/83)	58.8 (12/8/82)

RISES AND FALLS

	Jan 25	Jan 24	Jan 21
Issues traded	910	947	912
Rises	45	158	376
Falls	521	608	172
Unchanged	344	181	364

MONTREAL

	Jan 25	Jan 24	Jan 21	Jan 20	1982-83 High	1982-83 Low
Industrials	340.57	342.78	351.3	357.11	358.53 (10/1/83)	240.68 (21/6/82)
Combined	327.8	329.38	336.51	340.46	340.95 (10/1/83)	237.27 (21/6/82)
TORONTO Composite	1887.3	1877.5	2024.5	2067.8	2119.6 (10/1/83)	1356.7 (21/6/82)

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

New York Active Stocks

Tuesday	Stocks Traded	3.00 p.m. Price	Change on Day		Stocks Traded	3.00 p.m. Price	Change on Day
St Oil Ind	1,402,800	29⅞	−1⅛	Schlumb	714,700	45⅞	−1⅜
Exxon	1,049,003	29⅝	−⅛	Mer Lynch	537,300	61	+1½
Digital Eq	1,006,200	113½	+8½	Tandy	534,500	52⅞	+1⅞
IBM	967,600	96⅞	+1⅛	First Chic	533,500	19⅞	−⅞
ATT	632,000	67½	+1⅝	Sony	527,500	14⅝	−⅛

	Jan. 25	Jan. 24	Jan. 21	Jan. 20	1982-83 High	1982-83 Low
AUSTRALIA						
All Ord. (1/1/80)	528.5	537.6	540.6	568.2	595.5 (4/1/82)	442.2 (8/7)
Metal & Mnls. (1/1/80)	463.5	477.7	486.4	477.8	486.4 (21/1/83)	298.8 (8/7)
AUSTRIA						
Credit Aktien (2/1/62)	49.72	49.71	49.47	49.49	56.96 (4/11)	47.85 (28/10)
BELGIUM						
Belgian SE (31/12/63)	105.65	105.57	105.78	105.86	105.97 (24/1/83)	98.42 (28/1/82)
DENMARK						
Copenhagen SE (3/1/83)	103.2	104.25	104.68	104.45	104.88 (21/1/83)	100.00 (3/1/83)
FRANCE						
CAC General (31/12/81)	103.2	104.1	104.1	105.1	111.8 (12/5)	95.9 (12/8)
Ind Tendance (31/12/82)	105.7	106	105.5	104.9	106 (24/1/83)	98.0 (3/1/83)
GERMANY						
FAZ-Aktien (31/12/58)	241.89	241.92	244.55	244.92	257.55 (5/1/83)	214.08 (17/8)
Commerzbank (Dec 1953)	727.9	730.3	736.8	750.0	777.6 (5/1/83)	650.2 (17/8)
HOLLAND						
ANP-CBS General (1970)	102.5	106.1	105.7	104.3	107.6 (11/1/83)	84.0 (6/1/82)
ANP-CBS Indust (1970)	87.9	87.9	90.2	88.8	93.4 (11/1/83)	63.2 (4/1/82)
HONG KONG						
Hang Seng Bank (31/7/64)	889.45	879.6	871.99	908.56	1445.32 (12/1/82)	676.30 (2/12)
ITALY						
Banca Comm Ital. (1972)	180.66	180.48	175.77	174.94	212.68 (19/5)	147.22 (22/7)
JAPAN**						
Dow Average (16/5/49)	7805.19	7855.99	7889.41	7925.31	8210.02 (8/1/83)	6849.78 (1/10)
Tokyo New SE (4/1/68)	574.51	575.95	585.68	581.84	602.17 (8/1/83)	511.52 (17/8)
NORWAY						
Oslo SE (4/1/83)	114.94	116.39	114.65	115.85	119.93 (17/1/83)	99.81 (4/1/83)
SINGAPORE						
Straits Times (1966)	756.3	759.84	765.60	766.22	818.78 (6/1/82)	557.07 (18/8)
SOUTH AFRICA						
Gold (1958)	(u)	977.2	1048.2	1063.4	1073.5 (17/1/83)	635.6 (8/7)
Industrial (1958)	(u)	821.5	825.4	825.6	825.6 (20/1/83)	587.5 (25/6)
SPAIN						
Madrid SE (31/12/82)	100.65	101.22	101.22	100.88	102.06 (20/1/83)	99.32 (11/1/83)
SWEDEN						
Jacobson & P. (1/1/58)	987.57	1013.18	1011.28	1002.0	1013.15 (24/1/83)	565.52 (29/4)
SWITZERLAND						
Swiss Bank Cpn. (31/12/58)	296	294.8	298.1	285.7	301.7 (7/1/83)	257.8 (17/8)
WORLD						
Capital Intl. (1/1/70)	(u)	152.8	157.6	159.2	162.0 (10/1/83)	118.4 (15/8)

(**) Saturday January 15: Japan Dow (c). TSE (c).

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

COMMODITIES AND AGRICULTURE

EEC grain policies 'lead to instability'

By Nancy Dunne in Washington

EEC policies, while they will make the community the world's second largest grain exporter by 1985, contribute to the instability of the world grain market, according to a report by the International Food Policy Research Institute in Washington D.S.

European grain production, studied between 1961 and 1980 was more volatile than in the rest of the world, according to Mr Ulrich Koester, a researcher.

"The EEC grain policies contribute to the instability associated with inflexible price ratios, weather-induced production fluctuations and inflexible trade and storage activities," the report said.

According to Mr Koester, Europe's grain export will reach 11.5m tonnes in 1985 and 25.3m tonnes in 1990 if it continues its present policies

Europe, a major grain importer in the 1960s, has already become the world's third largest wheat exporter.

The report's findings back up U.S. trade complaints that EEC subsidies have resulted in the unfair loss of American overseas markets.

Meanwhile, several Congressmen have been introducing measures to combat EEC grain trade practices.

One would give bonuses from the U.S. grain stocks to new purchasers of U.S. agricultural products.

● Congressman Cooper Evans (Republican, Iowa) has discussed with Nigerian officials the possibility of trading U.S. farm products for Nigerian crude oil.

Unctad reveals plan to boost commodity export earnings

Brij Khindaria looks at proposals to end a downward price trend

AN EMERGENCY plan to halt and reverse the decline in commodity prices announced here yesterday by the UN Conference on Trade and Development (Unctad).

The plan, which is to be put tothe Unctad meeting in Belgrade in June, calls on producing and consuming countries to negotiate a series of short-term commodity agreements to buy up surplus supplies as a means of reversing the downward trend in prices.

The aim is to boost commodity export earnings by developing countries by some $20bn (£12.98bn) over the next three years.

The short-term (or interim) agreements would rely almost entirely on buffer stocks to remove surplus supplies from the market for temporary storage. They would be dismantled as soon as the plunge in prices is halted.

It is estimated that it would cost about $9bn to absorb excess supplies of 15 key commodities, which account for half of exports by third world countries with the exception of oil.

A major source of financing would be Unctad's proposed $750m common fund which will help to finance buffer stocks and export promotion measures.

It is hoped that the 1981 agreement to create the fund will be ratified by a sufficient number of governments before September 30 to allow operations to start next January.

But prospects for the fund remain slim and both the fund and the Unctad's Integrated Programme of Commodities (IPC), which the fund would finance, may have to be overhauled after the Unctad meeting in Belgrade next June.

The integrated programme was designed to contain agreements for about 18 commodities. So far, only five agreements have been completed—for cocoa, coffee, natural rubber, sugar and tin.

All five are working very imperfectly and accords for other commodities — such as bananas, cotton, jute, sisal, tea, tropical timber, bauxite, copper, iron ore, phosphate rock—remain out of reach because of differences between producers and consumers, and among third world producers themselves.

The relationship between the international commodity agreements (ICA) and the common fund has also yet to be worked out. The ICA managers have emphasised that they do not want to surrender control of money available to them to the managing committee of the common fund.

Unctad is trying to attack the problem of finances for commodity price stabilisation from several different angles, each fraught with controversy. In addition to the fund, it calls for an expansion of the existing buffer stock financing facility run by the International Monetary Fund. The IMF is notorious for the tough conditions it places on borrowers. Unctad wants those conditions to be made more flexible and "closely tailored" to the borrower's needs. That would require major policy decisions within the IMF.

Unctad would also like to see changes in a new programme of loans by the World Bank to encourage structural adjustments, including diversification of exports, as well as in a separate compensatory financing facility run by the IMF.

The compensatory facility offers loans to countries hit by sudden drops in prices for their commodity exports, but Unctad would like it to extend to drops caused by unpredictable climate changes, labour disputes or other troubles in the exporting countries.

Third world exports of industrial raw materials have been hit mainly by the fall in demand by recession-hit Western nations. Those of commodities used by the beverages, food and tobacco industries are suffering primarily by large over-production.

An upturn in raw materials prices must await successful Western economic recovery programmes, while price declines in other commodities can be prevented only by production and export controls, it is argued.

April start for silver options trading

THE European Options Exchange is making the final preparations to introduce silver options trading. It is expected to begin in April in both Amsterdam and Vancouver, allowing business for 16 hours a day. Each option will cover 1,000 oz of silver.

● MERINO fleece of 19/24 microns, all skirtings and cardings were up to 1 per cent dearer at Newcastle. At Portland, merino fleece of 19/20 microns was slightly dearer, 21/24 microns was up by 1.5 per cent and skirtings were basically unchanged.

● AUSTRALIA will spend A$640m (£407.64m) over the next five years to expand and improve water resources, by building small and medium sized dams. Proposals to reverse the flow of some rivers to irrigate the interior will also be examined.

● SOUTH AFRICA'S 1982-83 maize crop should be about the same as last season's 8.32m tonnes. This would leave an export surplus of about 2m tonnes.

● CRUDE palm oil production in Malaysia rose 24.3 per cent in 1982 and palm kernel production went up about 54 per cent. Increases were attributed to newly matured palms, introduction of a pollinating weevil and favourable weather.

● ZAIRE has signed a $30m (£19.48m) contract to sell China 20,000 tonnes of copper, 300 tonnes of cobalt and 5,000 tonnes of zinc this year.

Indian jute industry stresses need for imports

BY P.C. MAHANTI IN CALCUTTA

THE INDIAN jute industry has been urging the Government to arrange for early imports of 700,000-800,000 bales to cope with shortages. The current jute crop is now expected to produce only 6m bales.

The crop during each of the previous two years was a record 8m bales, but this year's crop was reduced by a severe prolonged drought spell.

The crop in Bangladesh this year is also a short one. The exportable surplus in the country, according to trade estimates, is not more than 1.5m bales compared with 2-2.5m in previous years.

International demand for the fibre has caused prices in Bangladesh to rise sharply and they set to rise even more. The latest Food and Agriculture Organisation estimates of the world jute crop places it 20 per cent lower than the normal of around 17-17.5m bales.

Thus, the Indian industry has been pleading with the Government to take the import decision early—the longer it is delayed the more it will cost. Already, the export price of Bangladesh jute is twice as much as it is in India for the same grade of fibre.

The industry pabeses its case for imports on the following arithmetic:

● Together with a carry-over stock of 2.7m bales the total supply during the current jute year ended next June would be about 9m bales.

● At the current rate of consumption, the mills would need about 8m bales.

● Another 400,000 bales for rural consumption and 300,000 bales for exports added to the demand for carryover at the start of the next season would be a bare 600,000 tonnes.

● Normally 1.5m bales are required to see the mills through the first three months of the new jute season.

The Government has taken no decision on imports so far,

Coffee prices climb to 30-month high

By John Edwards

COFFEE prices rose to the highest level for 2½ years on the London robusta futures market yesterday. The March position closed £17 up at £1,681.5 a tonne after reaching £1,700 at one stage. The January position breached £2,000 before closing at £1,984.5 a tonne.

The shortage of immediately available supplies of robusta coffee continues to dominate the nearby positions.

The market was further boosted by the weakness of sterling plus the rally in gold, which also helped push London cocoa values to new peaks.

The May futures position jumped the permissible limit up of £40 and closed £48 higher at £1,231.5 a tonne.

Traders said producing countries were mainly withdrawn from the market,

Copper advances strongly following gold rally

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES advanced strongly on the London Metal Exchange yesterday following the rally in gold and continued nervousness over the value of sterling. The high grade cash price closed £21 up at £1,019.5 a tonne.

The market virtually ignored confirmation that the Southern Peru copper strike had ended with a return to work not only at the Toquepala mine but also at El Cuajone and the Ilo smelter.

The rise in copper and precious metals helped drive other markets higher too. Aluminium futures reached the highest level since August 1980 with the cash price closing £11 up at £712.5 a tonne.

Ironically, the rise coincided with a Reuter report from Oakland, California, that Kaiser Aluminium Co was closing two more potlines at its Chalmette plant.

The company said the closures, resulting from poor demand, will reduce its overall operating rate to 443,000 short tons—39 per cent of its annual rated world capacity of 1,139,000 short tons.

Tin rose to new 11-month peaks. The standard grade cash price closed £82.5 higher at £7,927.5 a tonne.

There was reported to be some U.S. consumer demand, as well as continued buying by the buffer stock of the International Tin Council aimed at bringing London values closer into line with the Penang market.

● Singapore tin producer Kimetal announced a joint takeover of South Korea's ailing Pyro tin smelter. Kimetal and Hwa Sun Industries of Seoul together will finance and manage a new company—Kimetal Korea. Reopening the 3,000 tonnes per year smelter—shut since 1981—gives Kimetal a total of 10,000 tonnes annual tin production capacity

Soviet move may stabilise timber prices

Financial Times Reporter

EXPORTLES, the Soviet forest products selling organisation, has entered this year's softwood market with a prices schedule circulated to importers.

Initial market reaction is that the Soviet move will introduce an element of stability in softwood prices which will be welcomed by importers. Russian prices are competitive with Scandinavian where comparisons can be made.

The last Soviet schedule was issued in June last year. Since then, the Swedish kronar on which prices are based has been devalued by 16 per cent and there has been considerable downward movement in sterling. These currency factors make price comparisons complicated but the top grade of redwood (pine) in the present schedule is around 5 per cent dearer when compared with June, while whitewood (spruce) prices remain stable.

PRICE CHANGES

In tonnes unless stated otherwise	Jan. 25 1983	+ or —	Month ago
Metals			
Aluminium	$810.815		£810/815
Free Mkt	$1080/1110	+15	$975/1005
Copper			
Cash h grade	£1019.5	+21	£922.5
3 mths	£1051.75	+21.5	£946.75
Cash Cathode	£994.5	+22.25	£884.5
3 months	£1024.5	+22.25	£912.5
Gold troy oz	$489	+13	$445.5
Lead Cash	£299.75	+5.825	£285.5
3 months	£311.75	+6	£298.25
Nickel	£4584		£4133.5
Free mkt	170.200c		180/198c
Palladium	$118.75		£280
Platinum	£298.80	+13.3	£231.95
Quicksilver†	$355/345	—10	$350/360
Silver troy oz	831.30p	+39.85	660.10p
3 mths	854.10p	+41.85	676.10p
Tin cash	£7927.5	+82.5	£7422.5
3 month	£7937.5	+85	£7432.5
Tungsten	$90.21		$102.60
Wolfsm 22.04 lb	$78/82		$78/82
Zinc Cash	£442.5	+4	£410.75
3 mths	£458.25	+5	£428.75
Producers	$800		$880

	Jan. 25 1983	+ or —	Month ago
Oils			
Coconut (Phil)	$445.00z	—2.5	$460
Groundnut	‡		$425.5
Linseed Crude	£332	+4	£308
Palm Malayan	$377.5	—2.5	$375
Seeds			
Copra Philip	$300z		$300
Soyabean (U.S.)	$242.5	+2	$236.5
Grains			
Barley Fut. May	£117.80	—0.10	£114.40
Maize	£146.50y		£144.50
Wheat Fut. May	£125.95	+0.40	£120.55
No2 Hard Wint	‡		‡
Other commodities			
Cocoa ship't*	£1261.5	+44	£1130
Fut. May	£1231.5	+48	£1099.5
Coffee Ft. Mar	£1681.5	+17	£1595.5
Cotton A. Index	72.80c		70.30c
Gas Oil Feb	$255.5	—4.5	$279.75
Rubber (kilo)	55.50p	+0.25	49.75p
Sugar (Raw)	£105xw		£102
Woolt'ps 64 kls.	394p kilo	+2	372pkilo

‡ Unquoted. w March. y Feb. x Jan-Feb. z Feb-March. † Per 76-lb flask. * Ghana cocoa. n Nominal.

LONDON OIL SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	30.50-30.75*	—
Iranian Light	28.50-29.50*	—
Arabian Heavy	28.50-28.75*	—
North Sea (Forties)	30.75-31.00*	—
African (Bonny Lt'ht)	31.50-31.75*	—
PRODUCTS—North West Europe ($ per tonne)		
Premium gasoline	295-297	—
Gas oil	257-276	—5.0
Heavy fuel oil	162-165	—1.0

* No tradings reported today.

GAS OIL FUTURES

The market opened lower after further panic selling, particularly from the U.S., reports Premier Man. However, when the New York futures market opened less weak than expected, London rallied strongly on short covering and ended the day just off the highs. New life of contract lows were recorded earlier in the day in all positions.

Turnover: 8,289 (8,104) lots of 100 tonnes.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Jan.	262.00	—8.8	262.00-255.00
Feb.	255.00	—5.0	255.00-248.25
March	247.00	—6.0	248.00-241.50
April	243.00	—4.75	243.75-238.50
May	243.25	—1.5	243.50-238.75
June	243.50	—1.0	243.75-238.00
July	243.00	—1.0	241.00
Aug.	247.50	+0.5	—
Sept.	247.75	—4.25	244.00-243.00

GOLD MARKETS

Gold rose $13 an ounce in the London bullion market yesterday from Monday's close to finish at $488½-489½, its best level of the day. The metal had opened at $480¾-481¼, its low of the day and improved steadily as the dollar reversed its recent firmer trend.

In Paris the 12½ kilo bar was fixed at FFr 108,500 per kilo ($487.84 per ounce) in the afternoon compared with FFr 109,000 ($488.15) in the morning and FFr 108,300 ($480.28) on Monday afternoon.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar at the fixing was $482.50 from $476.75.

In Frankfurt the 12½ kilo bar was fixed at DM 38,385 per kilo ($487.98 per ounce) against DM 37,820 ($474.97) and closed at $488½-489½ from $475½-476½.

In Zurich gold closed at $488-$491 from $474-477.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	$ per troy ounce		
February	487.50-8.10	+12.20	491.40-82.6
March	491.50-2.80	+12.50	491.80-88.6
April	495.00-5.70	+12.50	499.00-98.4
May	499.50-9.88	+12.75	502.00
June	503.50-4.20	+15.80	—
July	506.50-8.50	+12.75	—
August	509.50-11.8	—	—

Turnover: 1,651 (1,204) lots of 100 troy ounces.

	Jan. 25		Jan. 24	
Gold Bullion (fine ounce)				
Close	$488½-489½	(£317¾-318¼)	$475½-476½	(£308½-309¼)
Opening	$480¾-481¼	(£315¾-316½)	$476-477	(£307-307¾)
Morning fixing	$485	(£315.858)	$475.75	(£307.332)
Afternoon fixing	$488.75	(£316.856)	$476	(£309.191)

Gold Coins Jan. 25					
Krugrnd	$502 503	(£326½-327¼)	King Sov	$116-118	(£76½-77)
½ Krg	$258¾-259¾	(£168¼-169)	Victoria Sov	$116-118	(£75½-77)
¼ Krg	$132-133	(£85¾-86½)	French 20s	$103-104¾	(£67-68¼)
1/10 Krug	$53½-54½	(£34¾-35½)	50 pesos Mex	$583 586	(£379¼-381¼)
Mapleleaf	$500½ 502	(£325½ 326½)	100 Cor. Aust	$472-476	(£307-309½)
New Sov	$115-115¾	(£74¾-75¼)	$20 Eagles	$560-570	(£364¼-370¾)
½ New Sov	$67-69	(£43½-44¾)			

EUROPEAN MARKETS

Soyabeans—(US$ per tonne): U.S. Two Yellow Gulfports afloat 236.50, Jan 236.50 Feb 237.25, Mar 238.25, April 242, May 244.50, June 247, July 249.50, Aug 251.50, Sept 261.50, Oct 247.75, Nov 247.75, Dec 252.25, Jan 1984 256.75 sellers.

Soyameal—(US $ per tonne): 44 per cent afloat 212, Jan 212, Feb 214, Nov/Mar 226.50, traded afloat 212, Jan 212, Feb 214, Mar 215, April Sept 218, Nov/Mar 227.50 sellers. Sovameal pellets Brazil afloat 236 Jan 236, Feb 237, Mar 235, April/Sept 227 sellers.

PARIS, Jan 25.

Sugar—(FFr per tonne). Mar 1470-1471, May 1505-1510, July 1550-1565, Aug 1575-1585, Oct 1615-1620, Nov 1610-1620, Dec 1665-1680, Mar 1770-1780. Sales at call: 5.

ROTTERDAM, Jan 25.

Wheat—(US $ per tonne): U.S. No Two Red Winter Jan 155, Feb 156, Mar 157, April 158. U.S. No Three Amber Durum April/May 171, June 172. U.S. No Two Northern Spring 14 per cent Feb 185, Mar 186, April/May 170. Canadian Western Red Spring April/May 194.

Maize—(US. $ per tonne). U.S. No Three Yellow afloat 124, Jan 124, Feb 123.75, Mar 122.75, April/June 124.75, July/Sept 128, Oct/Dec 128.50 sellers.

BRITISH COMMODITY MARKETS

BASE METALS

BASE METAL prices generally moved higher in sterling terms on the London Metal Exchange. Copper continued the previous day's upward trend, and closed at £1053, Lead was finally £312, Zinc £459, Aluminium £735.5 and Nickel $2522.5. Tin moved ahead strongly as U.S. physical demand coincided with the long-running price support operation, and closed at £7925.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
HighGrade	£	£	£	£
Cash	1018-9	+31.7	1019-20	+21
3 months	1049.5-50	+31.7	1051.5-2	+21.5
Settlem't	1019	+32	—	—
Cathodes				
Cash	993-4	+31.7	994.5	+22.2
3 months	1023.5-4	+32	1024-5	+22.2
Settlem't	994	+32	—	—
U.S. Prod.	—	—	*74-74	—

Amalgamated Metal Trading reported that in the morning higher grade cash copper traded at £1018, 18.50. Three months £1047, 48, 47, 48, 49, 48.50, 48, 48.50, 49.50, 50. Standard: Cathodes: Cash £992.50, 93.50. Three months £1022, 22.50, 23, 23.50. Kerb: Higher Grade: Three months £1052, 51, 52, 51.50. Afternoon: Higher Grade: Three months £1054, 53, 53, 53.50, 54, 53.50, 52, 51.50, 50.50, 51, 51.50, 52. Three months £1024. Kerb: Higher Grade: Three months £1053, 53.5, 54, 55, 54, 53. Turnover: 30,450 tonnes.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	7925-30	+85	7925-40	+87.5
3 months	7925-30	+82.5	7930-40	+82.5
Settlem't	7930	+85	—	—
Standard				
Cash	7925-30	+85	7925-30	+82.5
3 months	7915-20	+82.5	7925-30	+85
Settlem't	7930	+85	—	—
Straits E.	$829.15	—	—	—
NewYork				

Tin—Morning: Standard: Three months £7910, 15, 20, 15, 30, 25, 20. High Grade: Three months £7925. Kerb: Standard: Three months £7925. Afternoon: Standard: Three months £7925, 30, 35, 40, 50, 40, 35, 25. Kerb: Standard: Three months £7925, 35, 30, 25, 20, 25, 30. Turnover: 1,085 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	298.5-9	+6.75	299.5-300	+5.62
3 months	310.5-1	+6	311.5-2	+6
Settlem't	299	+5.5	—	—
U.S. Spot	—	—	*21.28	—

Lead—Morning: Cash £298. Three months £311, 10.50, 10, 11, 11.50, 11, 10.50, 09, 09.50, 10, 10.50 Kerb: Three months £311.50. Afternoon: Three months £311, 12, 12.50, 13, 12, 11.50. Kerb: Three months £312.5, 12, 11.5, 12. Turnover: 10,100 tonnes.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	441.5-2	+6.5	442-3	+4
3 months	457.75-8	+7.12	458-.5	+5
Settlem't	442	+6.5	—	—
Primw'ts	—	—	*38.75-40.7	—

Zinc—Morning: Three months £457, 56.50, 56, 55.50, 56, 57, 57.50, 57.75. Kerb: Three months £458.50. Afternoon: Three months £459, 59.50, 59.75, 59.50, 59.25, 59, 59.25, 59.50, 58.50, 58, 58.50, 58.25. Kerb: Three months £458.75. Turnover: 7,100 tonnes.

ALUMINIUM

Aluminium	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	708-9	+14	712-3	+11
3 months	732-.5	+15	735.5-6.5	+11.5

Aluminium—Morning: Three months £732, 33, 32.50, 33, 32, 32.50. Kerb: Three months £734, 35, 36, 37. Afternoon: Three months £738, 37, 36.50, 36, 35, 36, 35.50, 36, 36.50, 38, 36, 36, 35.50, 36, 36.50, 36. Kerb: Three months £736, 35.5. Turnover: 17,700 tonnes.

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	2429-30	+7	2440-50	+22.5
3 months	2505-8	+4	2520-5	+25

Nickel—Morning: Three months £2505, 07, 05, 06, 05. Kerb: Three months £2510. Afternoon: Three months £2,510, 20, 18, 15, 20, 25, 20. Kerb: Three months £2,520, 22. Turnover: 1,008 tonnes.

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

LME—Turnover 151 (142) lots of 10,000 ozs. Morning: Three months 859.0, 59.5, 59.0, 58.5, 57.0, 58.5, 55.0, 54.7, 55.0, 55.5. Kerb: Three months 859.0, 58.5. Afternoon: Three months 863.0, 62.5, 62.0. Kerb: Three months 864, 62.5, 63.5, 64, 63.

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	831.30p	+39.8	840.5p	+42.5
3 months	854.10p	+41.8	863.5p	+44.8
6 months	874.10p	+41.6	—	—
12months	981.95p	+49.2	—	—

Silver was fixed 39.85p an ounce higher for spot delivery in the London bullion market yesterday at 831.3p. U.S. equivalents of the fixing levels were: spot $12.773, up 57.3c; three month $13.055, up 69.3c; six month $13.304, up 57.3c; and 12 month $13.963, up 69.3c. The metal opened at 831-833p ($12.66-$12.71) and closed at 841-843p ($12.93-$12.97).

COCOA

Following a steady though uneventful opening cocoa futures moved higher throughout the day finally breaking limit-up just prior to the final call. Physical cocoa were more active than of late both producer and consumer participation reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	1221-22	+45.0	1222-175
May	1231-32	+48.0	1235-184
July	1243-44	+45.0	1246-198
Sept	1253-55	+41.5	1256-16
Dec	1270-72	+40.5	1274-32
March	1288-90	+41.5	1272-55
May	1300-10	+40.0	—

Sales: 6,527 (3,642) lots of 10 tonnes.

ICCO—Daily price for Jan 25: 81.17 (78.31). Indicator prices for Jan 26: 81.08 (81.40).

COFFEE

Currency considerations and bullish chart interpretations combined to establish gains of around £20.00 during an active morning session, reports Drexel Burnham Lambert. Commission house selling and profit-taking following a poor New York performance made for an easier afternoon with values closing mid-range.

COFFEE	Yest'day's Close	+ or —	Business Done
January	1975-94	+37.0	2001-49
March	1681-82	+17.0	1700-70
May	1582-83	+11.5	1593-76
July	1488-90	+11.5	1495-84
Sept	1426-28	+5.5	1437-22
Nov	1380-85	+3.5	1393-80
January	1346-50	—0.5	1355-40

Sales: 4,739 (2,470) lots of 5 tonnes.

ICO Indicator price for Jan 24 (U.S. cents per pound): Comp daily 1979 125.74 (126.16); 15-day average 127.69 (128.04).

GRAINS

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yest'rd'ys close	+ or —
Mar.	124.10	+0.40	115.70	—
May	125.95	+0.40	117.20	—0.10
July	127.85	+0.48	—	—
Sep.	115.40	+0.05	109.65	+0.05
Nov	118.10	+0.05	111.75	+0.10

Business done—Wheat: March 124.75-124.00, May 126.40-125.80, July 128.25-127.80, Sept 115.40 only, Nov 118.15-118.05 Sales: 466 lots of 100 tonnes. Barley: March 116.10-115.70, May 117.65-117.15, Sept 109.70-109.65, Nov 111.75 only. Sales: 113 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 1 14 per cent Jan 133.50, March 134, April-May 123.25 transhipment East Coast sellers. English feed fob April-June 129. Seller, March 125.75 paid East Coast.

Maize: French—Feb 147 transhipment East Coast seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed wheat: S East 122.50, W Mids 120.90, N West 121.40. Feed barley: S East 15.40, W Mids 13.70, N West 12.10. The UK monetary coefficient for the week beginning Monday January 31 (based on HGCA calculations using five days exchange rates) is expected to remain at zero.

Wheat opened 50p higher and quickly made gains of £1.00 before profit-taking eased the market down to around the opening levels. The afternoon saw a further dip but buying near the end closed the market around 40p up. Barley also made slight gains but in quiet trade eased back to unchanged—10p down on the day, Acli reports.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. March 540.0, 542.0, 540.0-538.0; May 557.0, 527.0, 557.0-554.0; July 567.0, 569.0, 567.0-564.0; Oct 553.0, 553.5, 553.0-550.0; Dec 557.3, 558.0, 557.3-555.0; March 564.8, 565.5, 565.0-576.0; July 582.0, 583.0, 583.0-83.0. Sales: 182.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Jan 380 seller nil; March 380, 384, 362-361; May 371, 373, 372; Aug 388, 395, 389-387; Oct 396, 399, 398-397; Dec 400, 403, nil; Jan 404, 406, 405-404, March 413, 418, 414-413; May 420, 425, 420. Sales: 79.

POTATOES

The market weakened further on fears of cheap Dutch physical offers.

Month	Yesterd'y close	Previous close	Business Done
	£ per tonne		
Feb.	67.00	68.60	68.10-67.00
April	79.00	82.20	81.00-78.80
May	82.00	85.10	84.20-82.8
Nov.	66.80	66.60	66.40-66.00
Feb.	76.40	75.50	—

Turnover: 888 (272) lots of 40 tonnes.

RUBBER

The London physical market opened easier, attracted fair interest throughout the day and closed uncertain. Lewis and Peat reported a February fob price for No. 1 RSS in Kuala Lumpur of 189.0 (191.5) cents a kg and SMR 20 171.0 (172.5).

No. 1 R.S.S.	Yesterdys close	Previous close	Business Done
	£ per tonne		
Feb	553-556	583-585	—
Mar	562-565	562-563	565
Apl-Jne	574-575	574-575	576-573
Jly-Sept	597-598	597-598	600-596
Oct-Dec	616-617	616-618	619-614
JanMch	637-638	634-637	639-636
Apl-Jne	657-658	656-658	—
Jly-Sept	680-682	680-682	—
Oct-Dec	701-706	703-709	—

Sales: 251 (296) lots of 15 tonnes, 5 (9) of 5 tonnes.

Physical closing prices (buyers) were spot 55.50p (55.25p); March 58.50p (58.00p); April 59.00p (——).

SOYABEAN MEAL

Weaker cash markets tempered further gains. However late in the day the market found support closing on the highs.

	Yesterdy's Close	+ or —	Business Done
	£ per tonne		
Feb.	145.50-46.5	+1.75	147.00
April	148.10-48.5	+1.85	148.50-45.50
June	146.50-46.7	+2.35	148.50-45.50
August	147.50-47.8	+1.90	—
October	148.50-48.5	+1.75	148.50
Dec	151.50-53.0	+1.75	151.50
Feb	152.00-54.0	+0.75	—

Sales: 284 (99) lots of 100 tonnes.

SOYABEAN OIL—The market opened $4.00 higher remaining quiet throughout the day. Closing prices and business done (U.S.$ per tonne): Feb 406.00-09.00, untraded; April 416.00-18.00; untraded: June 427.00-28.00, 427.00-27.00: Aug 429.00-38.00; untraded; Oct 435.00-47.00, untraded; Dec 441.00-55.00, untraded: Feb 448.00-464.00, untraded. Turnover: 10 (0) lots of 25 tonnes.

SUGAR

LONDON DAILY SUGAR—Raw sugar £105.00 (same) a tonne cif Jan-Feb-March shipment. White sugar £136.50 (£135.00). There was little selling in the market. Prices then consolidated until early afternoon when both London and New York markets broke through previous resistance levels and into new high ground for 1983, reports C. Czarnikow.

No.4 Contract	Yesterday close	Previous close	Business done
	£ per tonne		
March	111.75-11.90	109.80-09.25	112.50-08.80
May	116.85-17.00	114.25-14.50	117.25-13.80
Aug.	125.50-26.00	123.00-23.25	126.00-22.00
Oct.	131.50-31.70	128.95-29.00	131.05-27.75
Dec.	137.00-38.00	134.90-35.50	134.50
March	145.00-45.00	141.50-45.00	—
May	148.00-55.00	143.50-50.00	—

Sales: 2,849 (2,999) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £405.90 (same) a tonne for home trade and £210.00 (same) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for Jan 24: Daily price 6.08 (6.12); 15-day delivery 5.94 (same).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 313 tonnes. More useful weights were under negotiation and transactions were reported in a wide variety of growths. Demand ranged over Middle Eastern and other American-type styles, with considerable interest in Russian and Turkish qualities

HIDES

HIDES—Birmingham. The market continues to reflect weaker tendency second clears. Ox—31-35.5 kg 62.9p a kg (63.3p withdrawn); 26-30.5 kg 74.3p a kg (73.6p); 22-25.5 kg 79.5p a kg withdrawn (83.3p) Light cows—25.5 kg 77.0p a kg withdrawn (80.3p).

MEAT/FISH

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 80.8 to 85.3; Ulster hindquarters 94.0 to 98.0, forequarters 57.5 to 60.3. Veal: Dutch hinds and ends 136.0 to 139.5. Lamb: English small 72.0 to 75.5, medium 68.0 to 73.0, heavy 60.0 to 65.0; Scotch heavy 60.0 to 64.0. Imported: New Zealand PL 50.0 to 51.5, PM 49.0 to 50.0, YL 48.0 to 48.0. Pork: English, under 100 lb 32.0 to 50.0, 100-120 lb 43.0 to 49.0, 120-160 lb 34.3 to 46.0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle, 92.09p per kg lw (−1.88). GB—Sheep, 156.50p per kg est dcw (+5.59). GB—Pigs, 60.61p per kg lw (−1.02).

GRIMSBY FISH—Supply poor, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5.80-£6.80, codlings £4.00-£4.60; large plaice £6.20, medium £5.60-£6.20, best small £4.60-£5.20; large lemon sole £12.50, small £7.50: rockfish £3.50-£4.00

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated: Imported Produce: Satsumas—Spania: 10 kg 3.50-3.80 Oranges—Spania: Navels 3.80-5.80; Jaffa: Shamouti 88 5.40, 105 5.10, 123 4.90, 144 4.80, 168 4.50, Navels 88 5.40, 105 4.60, 123 4.50, 144 4.30, 168 4.20; Moroccan: Navels 3.40-5.40. Seville—Spanish: 40 lb 7.00. Lemons—Turkish: 80/150 3.50-4.30: Cypriot: 9 kg 2.80-4.20; Spania: Tray 5 kg 25/50 1.80-2.40. Grapefruit—Cypriot. 27/56 2.80-4.00: Jaffa: 64 3.90, 75 3.80, 88 3.60, Ruby 5.50-6.60; U.S.: Ruby 6.50-8.00 according to size. Clementines—Moroccan: 5.30-6.00. Apples—French: Golden Delicious 18 kg 5.00-6.50; Starkcrimson 18 kg 4.00-6.00, Granny Smith 18 kg 5.50-7.50; U.S.: Red Delicious 9.60-14.00; Canadian: 11.00-12.60: Polish: Spartan 13 kg, per pound 0.12-0.14. Pears—Dutch: Comice 14 lb 3.85-4.20, Conference 12 kg 5.60; Italian: Passacrassana 12/14 lb, per pound 0.14-0.18. Peaches—Cape: 4.50-5.40. Nectarines—Brazilian: Single layer 9.00. Grapes—Spanish: Almeria 2.20-3.00. Napoleon 2.60-3.20; S. African: Sultana 10 lb 7.00-7.50; U.S.: Red Emperor, per pound 0.55-0.65; Cape: Den Ben Hannah 11 lb 10.00, Alphonse 11 lb 12.00. Queen of the Vineyard 11 lb 8.50-9.00 Strawberries—Israeli: 8 oz 1.20; U.S: 12 oz 1.80-2.00: Spanish: 8 oz 1.00-1.50, Kenyan: 8 oz 0.70. Plums—Cape: Santa Rosa 11 lb per box according to size 2.50-4.00, Gaviota 3.00-4.00, Wickson 3.00-4.00, Elderado 2.50-4.00, Ruby Nel 3.00-4.00, Harry Pickstone 2.50-4.00. Melons—Spanish: Green 10 kg 5.00-7.00; Brazilian: Yellow 10 kg 8.00-10.00. Pineapples—Ivory Coast: 20's 0.35-0.40, 12'C 0.60, 12'B 0.80, 6's 1.20: Ghanaian: Each 1.00-1.40 according to size. Bananas—Colombian: 40 lb boxes 8.80-9.00. Avocados—U.S.: 6.50-7.00: Israeli, 4.50-5.00: Canary: 4.60-5.00. Paw Paws—Brazilian: 6.00-7.00 Kiwifruit—New Zealand: 8.00-8.50. Mangoes—Brazilian. 7.00, Kenyan: 6.00, S. African: 6.00-7.00 Litchees—S. African: Per pound 0.90-1.00. Asparagus—U.S: Per pound 3.00-4.00. Fennel—Italian: 20 lb 3.00-4.00. Sugar Peas—U.S: 10 lb 1.30 per pound: Moroccan: 7 lb 7.00. Endive—French: 5.50-6.00. Calabrese—Italian. 10 lb 3.50. Sharon Fruit—Israeli 3.00-3.20.

Tomatoes—Spanish: 6-kg 3.00-3.50; Canary: 4.00-5.00. Lettuce—Dutch: 12s 3.00. 24s 4.20-5.00 Celery—Spanish. 5.00-6.00: Italian: 5.50-6.00; Israeli: 6.50 Artichokes—Egyptian: 24s 9.00. Cyprus: 12s 5.40: Spanish: 24s 7.00-7.50. Aubergines—Canary: 6-kg 5.00-6.00 Onions—Spanish: Grano 5.80-6.20; Polish: 2.80. Capsicums—Canary: Green 4.50-5.50. Red 6.50-7.00: Israeli: Red 7.50 Cabbages—Dutch: Red 3.00-3.20 White 2.60-2.80. Courgettes—Kenyan: 6-lb 4.20: Spanish: 11-lb 4.95-5.50. Cucumbers—Canary: 6.00-6.40. Chicory—Belgian: 5-lb 2.00-2.20. Potatoes—Jersey: Per pound new 0.70: Italian: 20-lb 3.00-3.20: Egyptian: Errtra 44-lb 5.00; Canary: 25-kg mids 8.50, ware 7.00: Cyprus: 44-lb bag 5.00-5.20. 27½-lb boxes 5.20-5.50. Cauliflowers—French: 24s 4.50-4.80: Jersey: 24s 5.50. Dates—Tunisian: 30 x 8-oz 0.45-0.62, Fresh Dates—Israeli: 11-lb 6.20.

English Produce: Apples—Per pound Bramley 0.06-0.15, Cox's 0.12-0.36, Ida Red per pound 0.08-0.12, Russets 0.14-0.18, Spartan 0.08-0.14, Crispin 0.06-0.12. Pears—Per pound, Conference 0.10-0.30, Comice 0.10-0.22. Potatoes—Per bag 2.20-2.80. Mushrooms—Per pound open 0.45-0.55, closed 0.40-0.80.

INDICES

FINANCIAL TIMES

Jan. 24	Jan. 21	M'th ago	Ya'r ago
249.27	248.60	—	249.27

(Base: July 1 1952 = 100)

REUTERS

Jan. 25	Jan. 24	M'th ago	Y'ar ago
1643.5	1627.8	—	1626.5

(Base: September 18 1931 = 100)

MOODY'S

Jan. 24	Jan. 21	M'th ago	Y'ar ago
1040.0	1049.1	998.5	1008.6

(December 31 1931 = 100)

DOW JONES

Dow Jones	Jan. 24	Jan. 21	Month ago	Year ago
Spot	141.23	142.66	142.03	126.84
Fut'rs	146.61	147.28	146.55	131.8

(Base: December 31 1974 = 100)

AMERICAN MARKETS

Gold and silver attracted follow through buying on the strength to currencies combined with continued concern over the declining oil price and its impact on international financial system. Copper gained on buying sparked by the recovery in stock values and on the strength to precious metals with commission house buying featured. Slack roaster interest continued to restrict trading in coffee. Sugar was firm on aggressive short covering as cash interest particularly from the USSR developed. The lack of origin selling and renewed buying in response to concern over the continue dhot dry weather in Brazil rallied cocoa prices sharply. Cotton was featureless as speculative buying interest remained slack due to large overhanging while the weak dollar discouraged selling interest. Heating oil declined the expanded 3 cents limit in continued reaction to Opec's failure to agre on pricing and production and on the announcement by the UAE oil minister that it intends to increase production to 1.6m barrels in absence of the Opec agreement. Corn was supported by the anticipated tight free supply situation on old crop supplies due to high loan entries while new croy soyabeans attracted technical buying early but weakened on profit-taking late in the session. Wheat was generally featureless and restricted to a tight trading range. Reported by Heinold Commodities.

NEW YORK

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	1665	1675	1618	1598
May	1702	1714	1663	1644
July	1730	1738	1692	1675
Sept	1755	1775	1725	1705
Dec	1779	1790	1750	1725
March	1814	1822	1800	1760

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
March	126.04	126.65	125.90	128.11
May	123.23	123.75	123.10	123.25
July	120.50	120.75	120.25	120.65
Sept	118.23	118.90	118.05	118.75
Dec	116.38	116.50	116.25	116.10
March	114.51	114.60	114.60	114.63
May	112.75	113.00	113.00	112.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Jan	73.25	—	—	72.25
Feb	73.45	—	—	72.45
March	74.10	74.30	73.30	73.10
May	75.40	75.40	74.60	74.40
July	76.60	76.70	75.80	75.60
Sept	77.70	77.80	77.00	76.70
Dec	79.20	79.40	78.50	78.20
March	80.80	81.30	80.30	79.80
May	81.90	82.00	81.40	80.90
July	82.95	83.10	82.40	81.95

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	65.12	65.75	65.09	65.53
May	66.62	67.00	66.55	66.80
July	67.62	68.05	67.60	67.85
Oct	66.80	67.45	67.20	67.10
Dec	67.22	67.71	67.20	67.50
March	68.70	69.00	68.81	69.00
May	69.40	70.15	70.00	70.00
July	69.40	—	—	70.00

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	488.7	488.7	488.7	476.0
Feb	490.0	493.7	486.0	482.5
March	493.7	496.0	491.5	486.0
April	497.8	502.0	493.5	489.9
June	505.2	508.5	—	497.2
August	513.3	516.0	508.0	504.9
Oct	521.4	523.0	518.0	512.8
Dec	529.6	533.0	525.0	520.8
Feb	537.9	538.5	532.8	528.9
April	546.3	545.0	543.0	537.2

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Close	High	Low	Prev
Feb	78.35	78.80	76.54	78.54
March	77.49	78.20	77.49	80.49
April	75.82	76.30	75.82	78.82
May	75.16	75.75	75.00	78.00
June	75.40	75.50	75.00	78.00
July	75.30	76.00	75.30	78.30
August	75.70	75.60	75.60	78.60
Sept	76.80	—	—	79.60
Oct	77.80	77.60	77.60	80.60
Nov	77.70	—	—	80.60

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	107.05	107.45	106.05	105.75
May	107.90	108.30	107.10	106.65
July	109.00	109.20	108.20	107.80
Sept	110.00	110.10	109.80	108.70
Nov	110.70	—	—	109.60
Jan	111.10	—	—	110.50
March	111.80	—	—	111.50
May	112.50	—	—	112.40

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	465.7	468.0	455.0	446.8
Feb	472.7	—	—	453.8
March	472.7	487.0	483.0	453.8
April	472.7	472.8	460.0	453.8
July	477.7	478.0	465.0	458.8
Oct	484.7	483.5	470.0	465.8
Jan	492.7	487.0	480.0	473.8
April	500.7	494.0	490.0	481.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Jan	1307.5	1288.0	1291.0	1273.5
Feb	1309.5	1308.0	1308.0	1275.5
March	1318.0	1322.0	1298.0	1284.0
May	1339.0	1342.0	1307.0	1304.2
July	1360.5	1365.0	1339.0	1325.2
Sept	1382.0	1385.0	1366.0	1346.2
Dec	1415.7	1425.0	1398.0	1379.7
March	1450.2	1450.0	1430.0	1414.2
May	1472.7	1460.0	1450.0	1436.7
July	1495.2	1497.0	1490.0	1459.2

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	6.68	6.68	6.37	6.32
May	6.97	6.98	6.71	6.68
July	7.31	7.31	7.07	7.05
Sept	7.63	7.63	7.41	7.39
Oct	7.89	7.90	7.65	7.60
March	8.86	8.86	8.64	8.62
May	9.10	9.10	9.00	8.91

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	59.67	59.90	59.27	59.92
April	61.25	61.60	60.95	61.32
June	63.17	63.35	62.75	62.92
Aug	62.20	62.40	61.80	61.90
Oct	60.52	60.57	60.10	60.30
Dec	61.80	61.80	61.35	61.65

LIVE HOGS 30,000lb, cents/lb

	Close	High	Low	Prev
Feb	58.92	59.17	58.60	58.85
April	55.75	56.05	55.55	55.67
June	57.05	57.25	56.77	57.02
July	57.07	57.20	56.75	57.02
August	54.77	55.12	54.70	54.95
Oct	50.65	50.80	50.52	50.60
Dec	50.20	50.45	50.02	50.12
Feb	59.25	49.40	49.00	49.25
April	47.00	47.00	47.00	46.87

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
March	261.2	262.2	259.2	259.4
May	270.4	271.6	268.4	268.0
July	279.2	280.2	277.0	277.0
Sept	281.6	282.4	279.6	279.6
Dec	284.6	286.0	283.4	284.2
March	294.4	295.	293.6	294.0
May	302.0	302.6	301.0	300.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	85.95	86.90	85.70	86.00
March	84.02	85.00	83.90	84.52
May	83.20	84.25	83.10	83.62
July	82.02	82.50	81.60	81.92
August	78.97	79.57	78.80	78.92
Feb	69.00	69.00	69.00	68.90
March	67.60	67.60	67.60	67.40

SOYABEANS 5,000 bu min,

	Close	High	Low	Prev
March	594.4	602.0	594.0	599.0
May	607.4	614.0	607.0	610.4
July	619.2	625.0	618.6	621.2
August	624.0	627.4	622.0	625.0
Sept	623.0	628.0	623.0	624.4
Nov	630.6	637.0	628.4	630.2
Jan	643.0	649.0	641.4	643.0
March	655.4	659.0	654.4	653.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
March	179.2	182.3	178.8	179.6
May	182.1	184.3	181.5	183.1
July	185.1	188.0	185.0	185.8
Aug	185.9	187.5	185.7	186.5
Sept	187.7	189.0	186.5	187.5
Oct	188.0	189.0	187.0	187.3
Dec	191.0	193.0	190.5	191.0
Jan	191.5	193.0	191.5	192.0
March	194.9	195.0	194.0	194.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
March	17.15	17.37	17.11	17.16
May	17.58	17.80	17.55	17.58
July	18.00	18.20	17.95	17.97
Aug	18.18	18.32	18.16	18.13
Sept	18.34	18.48	18.32	18.28
Oct	18.52	18.60	18.50	18.43
Dec	18.78	18.95	18.75	18.70
Jan	19.03	19.06	19.00	18.90
March	19.45	—	—	19.23

WHEAT 5,000 bu min, cents/60lb bushel

	Close	High	Low	Prev
March	331.6	335.6	329.0	334.4
May	341.4	345.4	339.4	343.6
July	351.0	354.0	348.4	351.6
Sept	360.4	364.0	359.4	362.0
Dec	377.6	381.0	376.0	378.4
March	392.0	394.0	390.0	392.0

SPOT PRICES—Handy and Harman bullion silver 1,298.00 (1,230.00) cents per troy ounce. New York tin 563.00-565.00 (555.00-559.00) cents per pound.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

TRADED OPTIONS

EUROPEAN OPTIONS EXCHANGE

Series		Mar. Vol.	Mar. Last	Jun. Vol.	Jun. Last	Sept. Vol.	Sept. Last	Stock
D FL C	F.260	6	10.50	—	—	1	13	F.266.30
D FL C	F.265	2	6	—	—	—	—	"
D FL C	F.270	5	3	1	3.50	5	6	"
D FL C	F.275	2	2	—	—	8	3.90	"
D FL P	F.260	—	—	1	7.50	—	—	"
D FL P	F.270	11	8.60	63	18	—	—	"
D FL P	F.275	—	—	2	17	55	23	"
D FL P	F.285	—	—	60	24	—	—	"
		Feb.		May		Aug.		
GOLD C	$350	—	—	1	149 B	—	—	$490
GOLD C	$400	—	—	—	—	4	115	"
GOLD C	$425	—	—	51	86	—	—	"
GOLD C	$450	20	42 B	60	68	3	80	"
GOLD C	$475	85	22	28	55	88	74	"
GOLD C	$500	152	18	56	38.50	40	53	"
GOLD C	$550	38	4.50	144	20	—	—	"
GOLD P	$375	3	0.10	—	—	—	—	"
GOLD P	$425	—	—	53	6	—	—	"
GOLD P	$450	—	—	11	10	56	17	"
GOLD P	$475	17	12	30	19	60	25	"
GOLD P	$500	6	24	19	30	33	42	"
GOLD P	$550	—	—	63	67	—	—	"
12¼ NL 81 87 91								
C	F.122.50	—	—	28	9.50 B	—	—	F.132.30
C	F.125	30	7 B	—	—	—	—	"
C	F.127.50	—	—	167	5.20	—	—	"
C	F.130	152	2.50	137	4	—	—	"
C	F.135	100	0.70	78	2.20	—	—	"
P	F.115	—	—	200	0.10	—	—	"
P	F.122.50	450	0.20	—	—	—	—	"
P	F.125	606	0.30	—	—	—	—	"
P	F.130	40	1	74	2.70	—	—	"
10¼ NL 80 86 95								
C	F.110	105	5	—	—	—	—	F.115
P	F.102.50	100	0.10	—	—	—	—	"
11¼ NL 82 88 92								
C	F.112.50	—	—	20	4.90 B	—	—	F.117
C	F.115	—	—	260	3.30	—	—	"
C	F.117.50	—	—	35	2.20	—	—	"
C	F.120	100	0.40	—	—	—	—	"
10 NL 82-11 86-89								
C	F.107.50	85	4.30	—	—	—	—	F.112.50
C	F.112.50	50	1.10	—	—	—	—	"
P	F.105	825	0.10	—	—	—	—	"
P	F.107.50	1950	0.20	—	—	—	—	"
7¾ NL 82 89-93								
C	F.102.50	—	—	22	1.10	—	—	F.100.60
7½ NL 83 87-90								
C	F.100	—	—	40	1.50	—	—	F.100
		April		July		Oct.		
ABN C	F.300	101	6	—	—	—	—	F.294.50
ABN C	F.320	161	2.50	—	—	—	—	"
AKZO C	F.35	119	4	—	—	—	—	F.36.60
AKZO C	F.40	136	1.60	—	—	—	—	"
AKZO P	F.32.50	142	0.90	—	—	—	—	"
AMRO C	F.45	75	2.20	—	—	—	—	F.44.20
AMRO C	F.50	42	1	—	—	—	—	"
AMRO P	F.50	45	8.30	—	—	—	—	"
GIST C	F.120	68	10	—	—	—	—	F.124.50
HEIN C	F.100	54	9.30	—	—	—	—	F.105
HEIN C	F110	—	—	8	6.80	—	—	"
HOOG C	F.17.50	50	1	—	—	—	—	F.16.40
KLM C	F.140	100	19.50	—	—	—	—	F.148.80
KLM C	F.150	327	14	—	—	—	—	"
KLM P	F.120	63	3.80	—	—	—	—	"
KLM P	F.130	82	6	—	—	—	—	"
KLM P	F.140	59	9.50	—	—	—	—	"
NEDL C	F.90	103	7 B	—	—	—	—	F.98
NEDL C	F.100	223	3	—	—	—	—	"
NEDL P	F.100	67	9	—	—	—	—	"
PHIL C	F.27.50	176	3	18	3.50 B	7	4.30	F.30
PHIL C	F.30	309	1.50	132	2.30	36	2.60	"
PHIL C	F.32.50	107	0.80	327	1.30	—	—	"
PHIL P	F.30	151	1.80	5	2.80	2	3.20	"
RD C	F.90	109	7	22	8 A	—	—	F93
RD C	F.100	350	3	81	4.10	10	5	"
RD P	F.80	140	0.80	58	1.40	—	—	"
RD P	F.90	322	3	179	4.60	10	5.50	"
RD P	F.100	334	7.90	16	10 B	8	13.50	"
		Feb.		May		Aug.		
VEBA C	DM.140	—	—	50	6.50	—	—	DM138.80

TOTAL VOLUME IN CONTRACTS 13,169

A=Asked B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls April	Calls July	Puts Jan.	Puts April	Puts July
BP (USP 316)	280	38	46	—	0½	7	—
" "	300	18	30	40	1	16	22
" "	330	1	12	24	15	34	42
" "	360	0¾	5	9	44	52	56
CGF (USP 524)	390	135	140	144	1	2	6
" "	420	105	110	114	1	5	9
" "	460	65	80	87	1½	13	17
" "	500	25	52	62	3	30	37
" "	550	2	27	45	40	57	67
CTD (USP 74)	70	5	9	12	1	3	5
" "	80	1	5	7	7	8	12
" "	90	1	1½	—	17	18	—
" "	100	0½	—	—	—	—	—
CUA (USP 142)	120	25	26	28	1	2	6
" "	130	15	17	22	1	4	8
" "	140	3	12	16	4	12	15
" "	160	1	5½	8	20	24	26
GEC (USP 196)	157	43	—	—	2	—	—
" "	167	33	—	—	2	—	—
" "	177	23	—	—	2	—	—
" "	187	13	—	—	2	—	—
" "	197	5	19	—	4	12	—
" "	200	—	—	27	—	—	18
" "	217	1	9	—	21	23	—
" "	220	—	—	16	—	—	30
" "	237	1	5	—	41	43	—
" "	240	—	—	10	—	—	47
" "	260	½	3	6	64	64	69
GMH (USP 338)	214	123	—	—	1	—	—
" "	220	119	—	—	1	—	—
" "	240	99	101	—	1	1	—
" "	260	79	81	—	1	2	—
" "	280	59	61	69	1	4	4
" "	300	39	41	49	1	5	7
" "	330	10	23	29	2	12	15
" "	360	1½	11	17	25	32	36
ICI (USP 370)	260	112	120	—	0½	2	—
" "	280	92	100	—	1	2	—
" "	300	73	80	86	1	3	4
" "	330	42	50	58	1	5	10
" "	360	12	26	34	2	16	20
" "	390	2	14	20	22	34	38
LSI (USP 277)	240	38	45	—	1	3	—
" "	260	19	25	33	2	8	11
" "	280	2	14	20	4	15	18
" "	300	1	6	9	24	27	31
M & S (USP 202)	140	63	—	—	—	—	—
" "	160	43	48	—	1	1½	—
" "	180	25	30	33	1	4	6
" "	200	5	19	25	3	11	12
" "	220	1	9	14	20	22	24
" "	240	0½	4	7	40	41	44

Option		Calls Jan.	Calls Apr.	Calls Jul.	Puts Jan.	Puts Apr.	Puts Jul.
SHL (USP 410)	360	54	62	—	0¼	—	—
" "	390	24	34	42	1½	12	14
" "	420	3	16	24	10	28	34
" "	460	1	8	12	50	56	60
Option		Feb.	May	Aug.	Feb.	May	Aug.
BSL (USP 396)	350	—	—	—	2	—	—
" "	360	40	48	58	2	8	13
" "	385	—	—	—	4	—	—
" "	390	15	23	33	8	17	30
" "	420	6	15	24	27	42	50
IMP (USP 127)	90	38	39	—	0½	1	—
" "	100	28	29	—	0½	1	—
" "	110	18	20	24	1	3	5
" "	120	10	14	16	2½	6	9
" "	130	4¼	8	—	6	12	—
LMO (USP 282)	280	17	35	45	12	18	27
" "	300	8	27	35	22	32	45
" "	330	3	17	22	52	57	65
" "	360	2	8	—	82	87	—
" "	390	2	4	—	112	117	—
LNR (USP 98)	60	38	—	—	0¾	—	—
" "	70	28	—	—	1	—	—
" "	80	18	18	22	1	2	2½
" "	90	9	10	15	1	5	7½
" "	100	3	6	7½	6	12	14
P & O (USP 117)	100	19	23	27	1	3	5
" "	110	10	15	19	2	5	8
" "	120	4	11	15	6	10	16
" "	130	2	6	9	15	17	21
" "	140	1	3	—	24	26	—
" "	160	0½	1	—	44	45	—
RCL (USP 474)	420	62	—	—	2	—	—
" "	460	30	47	61	7	14	20
" "	500	9	27	37	25	52	40
" "	550	2	11	20	75	75	75
" "	600	2	4	8	125	125	125
" "	650	1	2	—	175	175	—
RTZ (USP 524)	360	165	—	—	1	—	—
" "	390	135	142	—	1	2	2
" "	420	105	112	112	1	5	10
" "	460	65	80	77	2	10	17
" "	500	27	54	54	12	27	37
" "	550	4	30	37	50	56	62
VRF (USP 107)	55	52½	—	—	0½	1	—
" "	60	47½	48	—	0½	1	—
" "	70	37½	38	38½	0½	1	—
" "	80	27½	28	28½	0½	2	—
" "	90	17½	18½	20	0¾	3	4
" "	100	9	13	16½	2½	7	8½
" "	110	4½	9	13	7	12	14
" "	120	1½	5½	9½	15	19	20½

Jan. 25 Total Contracts 5,484 : Calls 3,367 Puts 2,117

مكتبة الاحمل

هكذا من الأصل

INSURANCE & OVERSEAS MANAGED FUNDS

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF 01-404 0393

'Asset Builder'	59.8	62 9	..	—

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511

Money Mngr. Jan. 15	54.1	58.3	-	—
MM Flexible Jan 1	44.5	47.0	.	—
Fixed Interest Jan 1	51.8	54 7	.	—

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS1 6EA. 0272-279179

Equity	197.7	203.6	...	—
Fixed Interest	148.7	149.4	..	—
Property	157.8	162.5	...	—
Deposit	136.9	136.9	...	—
Mixed	171.9	175.6	...	—
Indexed Stk	113.6	114.1	...	—

London Life Managed Funds Ltd.

Equity (P.)	141.9	146.8	...	—
Fixed Int. (P.)	148.5	149.2	...	—
Property (P.)	115.2	119.2	...	—
Deposit (P.)	113.4	113.9	...	—
Mixed (P.)	134.2	139.7	...	—
Indexed Stock (P.)	119.5	120.3	...	—

London & Manchester Gp.
Winslade Park, Exeter EX5 1DS. 0392 52155

Invest. Tst. Fd. Cap.	256.1	—	-0.1	—
Invest. Tst. Fd. Acc.	262.5	—	-0.1	7.9
Property Fund Cap.	116.4	—	...	—
Property Fund Acc.	119 7	—	...	3.1
Flexible Fund Cap.	167.2	—	-2.7	—
Flexible Fund Acc.	171.8	—	-2.8	2.4
Fixed Int. Fd. Cap.	128.5	—	-3.2	—
Fixed Int. Fd. Acc.	132.4	—	-3.3	—
Gtd. Deposit Fd. Cap.	136 7	—	-	—
Gtd. Deposit Fd. Acc.	139.8	—	-	—
Equity Fund Cap.	129 7	—	-1.1	—
Equity Fund Acc.	133.0	—	-1.2	—
International Fd. Cap.	126.5	—	+0.1	—

Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU 01-680 0606

Property Fund		286 5		—
Property Fund (A)		279 4		—
Agricultural Fund		1087 9		—
Agric. Fund (A)		1022.7		—
Abbey Nat. Fund		223.9	...	—
Abbey Nat. Fd. (A)		223 1	...	—
Investment Fund		123 1	.	—
Investment Fund (A)		121.5		—
Equity Fund		358.4	-2.6	—
Equity Fund (A)		348.4	-2.6	—
Money Fund		204 7	..	—
Money Fund (A)		201.3	..	—
Actuarial Fund		188.1	...	—
Gilt-edged Fund		171.1	-0.5	—
Gilt-Edged Fd. (A)		171.1	-0.5	—
Retire Annuity		342.8	..	—
Immed. Ann'ty		196.0	..	—
International Fd.		216.8	...	—

Prop. Growth Pensions & Annuities Ltd.

All Weather Ac. Uts.	224.1	235.9	.	—
Inv. Fd. Uts.		256.0	..	—
Pension Fd. Uts.		394.1	...	—
Conv. Pens. Fd.		263.1	...	—
Cnv. Pns. Cap. Ut.		202.3	.	—
Man. Pens. Fd.		288.9	...	—
Man. Pens. Cap. Ut.		231.0	.	—
Prop. Pens. Fd.		264.5	..	—
Prop Pens. Cap. Uts.		206.0	.	—
Bldg. Soc. Pen. Ut.		233.7	.	—
Bldg. Soc. Cap. Ut.		184 3	.	—
Gilts Pens. Fd.		148.5	..	—
Gilts Pens. Fd. Cap.		138.7	..	—
Equity Pens. Fd.		209.3	-1.2	—
Equity Pens. Fd. Cap.		188.4	-1.0	—

Providence Capital Life Assc. Co. Ltd.
30 Uxbridge Road, W12 8PG. 01-749 9111

Equity Acc.	93.4	98.4	..	—
Fixed Interest Acc.	84.2	88.9	..	—
Intnl. Acc.	74.7	78.8	.	—

OFFSHORE AND OVERSEAS

NOTES

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1982/83 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101¾	95¾	Treasury 12pc 1983‡‡	100⅛	+⅛	11.99	11.29
100⅝	92⅞	Treasury 9½pc '83	99⅝	+⅛	9.31	10.69
104⅝	96⅞	Exch 13¾pc '83	101¾		13.27	11.72
101¼	91⅞	Exch. 10pc 1983	99¼	+⅛	10.08	10.86
99¼	87⅝	Funding 5½pc '82-84‡‡	96¼		5.68	9.07
103¾	91⅞	Exch 11¼pc 1984	100¼xd	+¼	11.22	11.04
107¼	96¼	Exchequer 14pc 1984	103¼	+¼	13.61	11.36
94½	81¼	Exch 3pc 1984	93		3.23	8.42
105¾	91½	Treasury 12pc 1984	101⅛	+¼	11.87	11.19
112	96¼	Treasury 15pc 1985	106⅛xd	+⅛	14.15	11.49
112¾	89½	Exch 12pc Cnv '85	102¼	+¼	11.67	10.54
91¼	73½	Treasury 3pc 1985	89⅛		3.37	8.19
105½	87½	Treasury 11½pc 1985	100⅝	+⅛	11.43	11.21
102	95½	Treas 8¾pcCn85 (£ooPd)	96	+½	9.11	10.53
107⅛	88⅝	Exch 12¼pc 1985	101⅝	+⅛	12.05	11.53
106⅝	86½	Exch 11¾pc '86	100½xd	+½	11.69	11.58
89½	69	Treasury 3pc 1986	86¾		3.46	7.60
107⅝	86¼	Treasury 12pc '86	101⅛	+½	11.87	11.58
100	80⅝	Treasury 8¼pc '84-86‡‡	95½		8.90	10.08
116⅝	96⅝	Treas 12¾pc '86 Cnv	105¾	+1¼	11.64	10.40
114	91⅞	Exch 14pc 1986	106⅝	+⅛	13.13	11.94
112	90	Exch 13¼pc 1987	104⅝	+⅛	12.66	11.76
84	83½	Exchequer 2½pc 1987	83⅞	+⅛	2.98	7.12
103½	95⅞	Exch 10½pc 1987	96⅞	+⅛	10.84	11.43
93⅝	73⅞	Funding 6½pc '85-87‡‡	91¼	+⅛	7.12	9.01
85¼	64½	Treasury 3pc 1987	84¼	+¼	3.56	7.19
109	85⅞	Treas. 12pc 1987	100⅞	+½	11.90	11.73

Five to Fifteen Years

1982/83 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
98	73½	Treasury 7¾pc '85-88‡‡	90¼xd	+¼	8.59	10.29
102¼	95½	Exch 10½pc '88	96¼	+¼	11.12	12.20
81	60¼	Transport 3pc '78-88	77⅛	+¼	3.87	8.21
99	91	Treas. 9½pc '88	92¼	+⅛	10.46	11.73
107⅞	79⅞	Treasury 11½pc 1989	96½xd	+⅛	11.81	12.14
95⅝	67½	Treasury 5pc '86-89	79		6.44	9.60
117¼	55⅞	Treasury 13pc 1990‡‡	104¼	+½	12.52	12.16
112	85⅝	Exch 12½pc 1990	105¼	+½	12.38	12.29
98¼	70¼	Treasury 8¼pc '87-90‡‡	86½		9.64	11.17
110¼	77⅞	Treasury 11¾pc 1991	98½	+⅛	11.99	12.14
84⅞	59¼	Funding 5¾pc '87-91‡‡	79		7.45	9.86
104¼	76⅛	Exch. 11pc 1991	97½	+½	11.62	11.98
116⅞	81⅞	Treasury 12¾pc '92‡‡	102⅞	+⅛	12.41	12.24
102¼	70	Treasury 10pc 1992	89¼xd	+½	11.12	11.84
112¼	80⅞	Exch 12¼pc '92	99½xd	+⅛	12.23	12.25
118⅝	88⅝	Exchequer 13½pc '92	110¼	+½	12.73	12.39
115½	80⅝	Treasury 12½pc '93‡‡	102	+½	12.30	12.40
83½	56¼	Funding 6pc 1993‡‡	75¼		8.21	10.20
124¼	88	Treasury 13¾pc 1993‡‡	111	+¼	12.66	12.28
128¼	91⅝	Treasury 14½pc '94‡‡	112¼xd	+⅛	12.71	12.16
119¼	86¼	Exchequer 13½pc 1994	109¼	+¼	12.69	12.42
115½	80¼	Exch 12½pc 1994	100¼xd	+¼	12.29	12.24
96¼	66⅛	Treasury 9pc '94‡‡	86½	+¼	10.62	11.37
111¾	76½	Treasury 12pc '95	98½	+½	12.19	12.25
66⅛	42⅞	Gas 3pc '90-95	61¼		4.92	8.06
103¼	68½	Exch. 10¼pc 1995	88¾	+½	11.57	12.04
116⅝	83¼	Treasury 12¾pc '95‡‡	106⅝	+½	12.25	12.10
127¼	86¼	Treas. 14pc '96	110½	+½	12.69	12.38
97	66⅝	Treasury 9pc '92-96‡‡	87	+¼	10.75	11.42
133	96	Treasury 15¼pc '96‡‡	122¼	+½	12.84	12.34
120	96	Exchequer 13¼pc '96‡‡	109¼	+½	12.37	15.15
63⅝	43⅝	Redemption 3pc 1986-96	58¼		5.19	8.18
124	83½	Treasury 13¼pc '97‡‡	107½	+½	12.34	12.18
105¼	69⅝	Exchequer 10½pc 1997	90xd	+½	11.57	11.88
94½	64	Treasury 8¾pc 1997‡‡	80¼xd	+¼	10.73	11.37
132¼	94¼	Exch. 15pc 1997	121	+½	12.79	12.40

Over Fifteen Years

1982/83 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
79¼	54½	Treasury 6¾pc '95-98‡‡	69¾	+¼	9.90	11.31
138¼	99½	Treas. 15½pc '98‡‡	127⅛	+⅛	12.69	12.27
116⅝	78¼	Exch. 12pc 1998	101½	+½	12.08	12.09
100⅝	66	Treasury 9½pc 1999‡‡	86½	+¼	11.02	11.39
116	81¼	Exch. 12¼pc 1999	105	+¼	12.14	12.12
107	71⅛	Treasury 10½pc 1999	92¾	+½	11.56	11.78
124¼	82¼	Treas. 13pc 2000	106¼	+½	12.23	12.12
131	89	Treas 14pc '98-01	114¼	+½	12.53	12.27
116½	76½	Exch. 12pc '99-02	99¾	+½	12.05	12.05
129½	85⅞	Treas. 13¾pc 2000-03	111½	+½	12.34	12.16
113¼	78¼	Treasury 11½pc '01-04	101¼	+½	11.77	11.80
50¼	33¼	Funding 3½pc '99-04	43¼		8.02	9.87
123⅝	81⅝	Treasury 12½pc '03-05	107	+½	11.93	11.87
87¼	59⅛	Treasury 8pc '02-06‡‡	77½	+¼	10.66	10.97
116⅝	75⅞	Treasury 11¾pc 03-07	99¾	+¼	11.79	11.80
128½	90	Treas. 13½pc '04-08	116¼	+½	12.08	11.95
64	44¼	Treasury 5½pc '08-12‡‡	56¼	+⅛	10.15	10.59
85½	55⅝	Treasury 7¾pc '12-15‡‡	72¼xd	+¼	10.73	10.87
124	81⅛	Exch. 12pc '13-'17	106⅝	+¼	11.41	11.39

Undated

1982/83 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
42⅞	27⅝	Consols 4pc	35½xd	–¼	11.25	—
37¼	26⅞	War Loan 3½pc‡‡	32¼		11.08	—
42	31½	Conv 3½pc '61 Aft.	38		9.49	—
32¾	21	Treasury 3pc 66 Aft	28¼		10.78	—
27	17⅛	Consols 2½pc	22¼		11.06	—
26⅞	17⅝	Treasury 2½pc	23	+¼	11.26	—

Index-Linked & Variable Rate

1982/83 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100⅝	99⅝	Treas. Variable '83	99⅞	....	11.27	11.35
					(1)	(2)
105¾	95	Treas. 2pc I.L. '88	105		1.93	2.21
112	93	Do. 2pc I.L. '96	111¼xd		2.36	2.48
103¼	93¼	Do. 2½pc I.L. 2001	103¼		2.36	2.45
102¼	95½	Do. 2½pc I.L. 2003	101⅝	–⅛	2.40	2.49
107	86⅝	Do. 2pc I.L. 2006	106		2.33	2.41
103	96	Do. 2½pc I.L. 2009	102		2.40	2.47
110	98	Do 2½pc I.L. 2011	108xd	+¼	2.35	2.42
25⅞	25	Do. 2½pc I.L. 2016	25¼	+¼	2.37	2.43

Prospective real redemption rate on projected inflation of (1) 10% and (2) 7%

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

1982/83 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
116¼	99¼	Australia 13½pc 2010	102½xd	–½	13.17	13.15
108¾	92¾	Finland 14½pc Ln 1986	104		13.94	12.93
30¼	21½	Int-Am Dev Bk 12½pc 2003	21½	–1	13.72	13.93
109	90¼	Int. Bank 13½pc 1986	102½		13.17	12.52
111½	97	Do 14pcLn 1987	104¼	–¼	13.37	12.49
101¼	80	Mex 16½pc 2008	85	–2	21.06	23.64
112½	98½	N Z 14¼pc 1987	105½		13.51	12.56
107½	90¼	Sweden 13½pc 1986	101½		13.30	12.89

CORPORATION LOANS

1982/83 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102½	85	Bath 11¼pc 1985	97½		11.53	12.31
104⅞	89¼	Birm'ham 12½pc 1985	100⅝		12.46	12.26
108⅞	87	Burnley 13pc 1987	101½	–¼	12.81	12.53
101¼	81¼	Cardiff 11pc 1986	95¼		11.49	12.43
104¼	94⅝	G L C 13¼pc 1984	101½xd	–¼	13.05	11.73
81¼	53¼	Do. 6¼pc 90-92	70½xd		9.52	12.13
89	67½	Herts 6¾pc 1985-87	84		8.04	11.35
114¼	85	Leeds 13½pc 2006	107½	–½	13.07	13.03
100⅝	87½	Liverpool 9¾pc '80-84	97¼	–⅛	10.02	12.07
31½	21½	Do 3½pc Irred.	28½		12.55	—
104⅞	95½	Lon Corp 13¼pc '83	101		13.12	11.85
99¼	82¼	Do 9¼pc '84-85	94		9.84	11.90
93⅞	78¼	LCC 5½pc '82-84	91¼	+¼	5.99	11.75
84⅞	64¼	Do 5½pc '85-87	81		6.77	11.06
87	56	Do 6¾pc '88-90	75½		9.02	11.95
26¼	19½	Do 3pc '20 Aft	23½	–¼	13.21	—
104½	90¼	Sunderland 12¼pc 1984	100¼xd		12.22	12.03

COMMONWEALTH AND AFRICAN LOANS

1982/83 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
98⅞	85¼	Aust. 6pc 1981-83	96¼xd	–½	6.29	11.90
83¼	57	N Z 7½pc 1988-92	75¼xd	–⅛	9.68	11.73
93½	74¼	Do 7½pc '83-86	87½xd	–⅛	8.63	12.32
142	78	S Rhod 2½pc Non-Ass	142	–1	—	—
80	58	Do 3½pc '80-85 Assd	80		12.04	11.19
55	37	Do 4½pc '87-92 Assd	50xd	–1	9.00	14.60
402	318	Zimbabwe Ann (£100pd)	380		—	17.20

LOANS

Public Board and Ind.

1982/83 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
77½	57⅞	Agric. Mt 5pc '59-89	73¼xd		6.83	10.84
38	24⅝	Met. Wtr 3pc 'B'	32¼		9.50	12.18

LOANS—Continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS & HIRE PURCHASE

[illegible]

BANKS & H.P.—Cont.

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1982/83 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
210	145	Jackson Bourne	195	..	5.0	3.1	3.7	12.6
32	19	James Inds. 10p	19xd	−1	1.25	1.9	9.4	8.0
180	105	Jardine M HK5p	140	+5	1092c	2.3	6.4	6.8
*48	13	Jenks & Cattell	23		21.0	—	6.2	—
306	187	Johnson Clears.	288	−6	17.7	2.3	3.8	16.0
340	227	Johnson Mthy £1	322	+4	10.0	1.9	4.4	(14.2)
238	98	Johnston Grp. 10p	238	.....	4.0	6.2	2.4	9.4
92	64	Jourdan (T.) 10p	92	.....	5.25	0.6	8.2	(26.1)
48	35	Kalamazoo 10p	42	.....	2.5	0.9	8.8	18.1
170	135	Kelsey Inds.	170	.....	8.0	ϕ	6.7	ϕ
310	115	Kershaw (A.) 5p	118	+3	15.0	ϕ	19.7	ϕ
55	36	Kleen-E-Ze Hldgs.	39	.....	3.0	0.2	11.0	—
*66½	42½	L.C.P. Hlds.	52xr	+½	3.6	0.6	9.9	(30.4)
110	39½	L.R.C. Int. 10p	110	.....	3.1	2.0	4.1	16.4
46	27	Lawtex	27	.....	—	—	—	—
440	277	Lep Group 10p	385	.....	17.5	1.7	6.5	(11.3)
37	22	Lilleshall 10p	23	.....	‡2.5	—	‡	—
483	39	Lon. & Liv. 10p	475	+27	†2.45	2.4	0.7	69.2
116	78	London & Midl'd	104½	+½	7.75	1.1	10.6	(12.5)
62½	36	Lon. & Nthn. Grp.	55	.....	†3.75	2.1	9.7	5.9
43	23	Lon. Priv. Health	38½	.....	—	—	—	19.3
10	3½	Long Hmbly. 10p	8¼	.....	B—	—	—	—
65	36	Longton Inds.	64	−1	1.0	—	2.2	—
195	55	Low & Bonar 50p	80	.....	†7.0	0.6	12.5	(27.0)
27½	14	M.Y. Dart. 10p	18	.....	‡h1.21	—	‡	—
242	105	M'c'rthy Ph. 20p	170	−40	7.0	2.0	6.0	7.8
136	48	Macfarlane Gp.	136	.....	‡h3.2	2.5	3.4	15.5
49	28	Maclellan 20p	45	.....	d1.43	1.4	4.5	(19.0)
86	40	Macpherson (D.)	49	−2	4.2	1.5	12.2	7.2
62	41	Magnolia Group	41	−1½	2.3	3.9	8.0	4.2
108	57	Man. Ship Can. £1	88	−2	B—	—	—	—
57	35	Marley	54	−1	2.25	1.5	6.0	(14.4)
51	29	Marling Ind. 10p	34	−1	1.08	6.7	4.5	3.5
49	26	Marshall L'ey. 'A'	26	.....	2.8	1.9	15.4	(4.1)
88	56	Marshall's Univ.	58	.....	0.1	—	0.2	—
37	21½	Martin-Black	23	.....	—	—	—	—

LEISURE—Continued

1982/83 High	Low	Stock	Price
151	90½	Intasun 10p	118
182	112	LWT "A"	154
218	116	Leisure Inds.	205
144	64	Leisuretime Int 10p	135
132	80	Mngmt Ag. M. 10p	122
67	55	Medminster 10p	58
275	96	Nimslo Int 20c	96
185	33	Norton & Wrt. 10p	75
28	14	Owners Abroad	25¼
65	43	Photax (Lon.)	43
155	80	P'wle Dec. Sl. 10p	135
500	149	Pleasurama 5p	445xd
113	88	Radio City 'A' NV	110
*145	82½	Riley Leisure 10p	140
179	84	Saga Hols. 20p	107
440	125	Samuelson 20p	420
107	76	Scott. TV 'A' 10p	96
*43	21	SelecTV 10p	37
18	13	TSW 5p	15½
52	28	TVS N/Vtg 10p	37
100	55	Trid'nt TV 'A' 10p	79
215	92	21st Century Dist	160
27½	15	Webb (Jos.) 5p	15
93	69	Zetters 5p	81

MOTORS, AIRCRAFT TRADES

Motors and Cycles

1982/83 High	Low	Stock	Price
21	12	B.L. 50p	20
62	38	Coleman Milne 10p	61
205	93	Gen. Mts. Units	190
272	133	Honda Motor Y50	261
32	14	Lotus Car 10p	27

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

1982/83 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
250	75	Falcon Rh.50c.	225		Q25c	10.3	7.7
33	18	Wankie Col. Z$1	18		†03c	1.2	11.3
24	12	Zam Cpr. SBD0.24	22		—	—	—

Australians

1982/83 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
24	10	ACM 20c	22	−1	—	—	—
28	6	Argo v Gold NL 25c	13		♦—	—	—
62	46	Black Hill Mins.	58	−2	—	—	—
151	54	Bond Corp.	65	+1	vQ10c	2.3	10.4
151	58	Bougainville 1 Kina	145		§0.6 71c	1.2	‡
259	147	CRA 50c	255	−2	§05c	—	‡
54	10	Carr Boyd 20c	54	+4	—	—	—
56	21½	Central Pacific	31		—	—	—
380	152	Crusader Oil	320	+10	—	—	—
26	7	Cultus Pac NL	12½		—	—	—
27	7	Eagle Grp 10c	11	−1	—	—	—
23	8½	Endeavour 20c	11½	−½	—	—	—
725	120	GM Kalgoorlie 25c	705	−7	hQ10c	ϕ	0.9
244	134	Hampton Areas 10p	230	−2	†3.0	2.8	1.9
32	10	Haoma NW.	18	−1½	—	—	—
35	28	Hill Minerals N L	33		—	—	—
22	9	Intnl Mining	15	−1	—	—	—
36	2	Kalbara Min 20c	30		—	—	—
13½	5	Keywest Expl.	13		—	—	—
126	30	Kitchener NL 25c	115		—	—	—
190	92	Meekatharra 25c	155	−3	—	—	—
44	15	Metals Ex 50c	36		—	—	—
50	15	Metramar Min. 20c	39		—	—	—
50	15	Mid East Mns. A$1	25	+1	—	—	—
279	143	MIM Hldgs 50c	265		Q5c	—	1.2
57	5	Mincorp 20c	12		—	—	—
8	2½	Minefields Expl 25c	7	−1	—	—	—
28	14	Newmetal 20c	28		—	—	—
30	8½	Nickelore NL	28		←—	—	—
170	92	North B Hill 50c	168		Q6c	1.3	2.3
*84	10	Nth Kalgurli	55		—	—	—
123	67	Oakbridge 50c	80	−1	Q7c	1.7	5.6
90	30	Otter NL	38	−2	—	—	—
98	34	Pacific Copper	75		—	—	—
150	68	Pancont'l 25c	110		—	—	—
438	211	Peko-Wallsend 50c	438	+12	Q1.5c	—	0.2
31½	6	Pelsart Res NL	10		—	—	—
273	112	Renison 50c	216	−2	Q5c	—	1.5
205	105	Do Defd	190	−5	—	—	—
64	30	Seltrust A	64		←—	—	—
27	8½	Southern Pacific	11½	−½	—	—	—
46	16	Swan Res 20c	29	−1	—	—	—
11	2½	West Coast 25c	8		—	—	—
50	6	Western Core 50c	32	−4	—	—	—
272	150	Westn Mining 50c	259		Q2.5c	ϕ	0.6
92	11	Whim Creek 20c	83	−4	—	—	—
30	6	York Resources	17	−1	—	—	—

Tins

1982/83 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
255	135	Ayer Hitam $M1	200		Q95c	[illegible]	12.6
140	55	Geevor	87		—	—	—
12	9½	Gold & Base 12½p	10½		—	—	—
630	250	Gopeng Cons.	320	+5	Z20.0	1.2	9.2
670	330	Hongkong	525		21.0	ϕ	5.7
24	13	Jantar 12½p	20		1.5	2.8	10.7
130	42	Kamunting $M0.50	115	+3	hQ27½c	0.8	6.8
550	350	Killinghall $M1	550		[illegible]	ϕ	3.1
98	43	Malaysia Mng 10c	74	+3	vQ17.1c	1.6	6.7
42	20	Pahang	31	−1	B‡0.63	0.8	‡
450	280	Pengkalen 10p	340		1.0	—	0.4
330	190	Petaling $M1	255		vQ60c	ϕ	6.7
200	130	Sungei Besi $M1	200	+5	‡hQ185c	0.6	‡
55	25	Supreme Corp M$1	45		vhQ3½c	ϕ	2.4
110	93	Tanjong 15p	95		g3.5	ϕ	5.3
85	43	Tongkah H. Tin $M1	62	+2	vQ5c	1.3	2.1
255	125	Tronoh $M1	240	+5	†vQ50c	2.3	5.9

Miscellaneous

1982/83 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
87	20	Anglo-Dominion	72		—	—	—
125	25	Anglo Utd Dev.	75		—	—	—
		For Burma see Southwest Res					
130	27	Colby Res Corp.	122		—	—	—
440	170	Cons. Murch. 10c.	410	+10	‡Q60c	1.9	‡
8	1½	Explaura Gold	4½		—	—	—
150	55	Highwood Res.	130	−7	—	—	—
£40⅛	£25	Homestake Mining $1	£37		Q40c	—	0.7
470	160	Northgate C$1	410		—	—	—
533	344	R.T.Z.	513	+20	16.0	1.6	4.5
£120	£84	Do 9½% Cv. Un Ln 95-2000	£115	+2	Q9½%	23.9	f8.2
28	11	Sabina Inds C$1	23		—	—	—
13	12½	Southwest Res 10p	12½	−½	—	—	—
530	270	Tara Expln $1	480	−35	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable, bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK Listed; dealings permitted under Rule 163(4)(a).
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- # No par value.

B.Fr. Belgian Francs. Fr. French Francs. ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1982-83. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	48	
Bertrams	17¼	
Bdg'wtr Est 50p	465	
Craig & Rose £1	£12½	
Finlay Pkg 5p	31	
Graig Ship £1	£21	+1
Higsons Brew	102	−3
Holt (Jos) 25p	880	
I O M Stm £1	98	+1
Pearce (C H)	£12	−¼
Peel Hldgs.	160	

IRISH

Stock	Price	+ or −
Exch. 15pc 1983	£99⅞	−⅛
Nat. 9¾% 84/89	£78⅞	−⅛
Fin. 13% 97/02	£88½	−½
Alliance Gas	115	
Arnott	188	
Carroll (P.J.)	80	
Concrete Prods.	53	
Heiton (Hldgs.)	16	+1
Ins. Corpn. Ireland	360	
Irish Ropes	26	
Jacob	82	
T M G	95	
Unidare	42	

OPTIONS

3-month Call Rates

Industrials					
Allied-Lyons	15	House of Fraser	15	Utd. Drapery	7
BOC Grp.	17	I.C.I.	24	Vickers	12
B S R	6	"Imps"	10	Woolworth Hld	15
Babcock	10	I C L	8	**Property**	
Barclays Bank	35	Ladbroke	16	Brit. Land	7½
Beecham	35	Legal & Gen.	28	Cap. Counties	12
Blue Circle	44	Lex Service	16	Land Secs.	26
Boots	22	Lloyds Bank	35	MEPC	17
Bowaters	19	"Lots"	4	Peachey	14
Brit. Aerospace	20	London Brick	11	Samuel Props.	10
B.A.T.	50	Lucas Inds.	12	Town & City	3
Brown (J.)	4	"Mams"	12	**Oils**	
Burton Ord.	24	Mrks. & Spncr	16	Brit. Petroleum	26
Cadburys	11	Midland Bank	30	Burmah Oil	12
Courtaulds	8	N E I	9	Charterhall	5
Debenhams	8½	Nat. West Bank	38	KCA	8
Distillers	20	P & O Dfd	14	Premier	4
Dunlop	5½	Plessey	50	Shell	35
Eagle Star	30	Racal Elect.	45	Tricentrol	22
F.N.F.C.	4	R H M	6	Ultramar	42
Gen. Accident	30	Rank Org. Ord.	15	**Mines**	
Gen. Electric	24	Reed Intnl	26	Charter Cons.	20
Glaxo	90	Sears	9	Cons. Gold	40
Grand Met.	25	T I	13	Lonrho	8
G U S 'A'	50	Tesco	8	Rio T. Zinc	42
Guardian	35	Thorn EMI	38		
G K N	15	Trust Houses	13		
Hawker Sidd.	30	Turner & Newall	4		
		Unilever	65		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 29

Companies and Markets

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling and dollar lose ground

Sterling continued to lose ground yesterday, touching a record low against the dollar and falling sharply against European currencies. Market attention remained focused on the possibility of lower North Sea oil prices. However sentiment was marginally improved as the pound recovered from its early lows against the dollar.

The dollar fell back after its *recent sharp gain as the market* paused for breath. Some sources suggested that the effect of lower oil prices would benefit those countries *with a high level of oil* imports notably Japan and West Germany and there was a good deal of switching into these currencies *from the dollar.*

STERLING—Trading range against the dollar in 1982-83 is 1.9625 to 1.5370. December average 1.6176. Trade weighted index 81.0 against 81.1 at noon and 80.8 at the opening compared with 81.8 on Monday and 91.0 six months ago. Sterling is very weak on fears of lower North Sea oil prices and the possible effect on UK balance of payments. There is also *uncertainty* as to the timing of the next general election. Sterling is now trading on or just above a record low against *the dollar and* has recently begun to lose ground against European currencies *as* well.

Sterling opened around $1.5250 against the dollar and fell quickly to an all time low of $1.5170 at which point the market detected intervention by the Bank of England. The rate soon recovered to around $1.53 and continued dollar weakness pushed sterling to a best level of $1.5450. Light selling out of the U.S. saw the pound slip back to finish at $1.5365-1.5375, a fall of 35 points and its worst closing *level ever.* Sterling failed to show any recovery against European currencies however and finished around the day's low against the D-mark at *DM 3.7250 from* DM 3.8025 and SwFr 3.06 compared with SwFr 3.1250. It was also weak against the yen at Y362.75 from *Y370.75 and FFr 10.55 against* FFr 10.76.

DOLLAR — Trade-weighted index (Bank of England) 119.8 against 118.3 six months ago. The dollar has returned to favour recently as hopes of an early cut in the U.S. discount rate recede. The prospect of large Federal fund-raising has also kept rates firm, while fundamentals such as trade and budget deficits are being ignored at the moment.

The dollar finished near to its worst level of the day against most currencies. *It fell* against the D-mark to DM 2.4215 from DM 2.4670 and SwFr 1.99 from SwFr 2.0275. Against the yen it *slipped to Y236 from Y240.60 and* FFr 6.8625 from FFr 6.9850.

D-MARK — Trading range against the dollar in 1982-83 is *2.5940* to *2.2410.* December average 2.4225. Trade-weighted index 128.0 against 125.8 six months ago. The D-mark has shown a weaker tendency recently in the run up to a March general election. But as the possibility of an interest-rate cut before the election recedes so the D-mark has been a little steadier overall.

The D-mark was mostly firmer at yesterday's fixing in Frankfurt. The dollar met with selling as the market adjusted after recent sharp rises in the U.S. unit. The Bundesbank sold a token $19m when the dollar was fixed lower at DM 2.4432 down from Monday's 1983 high of DM 2.4781. Sterling also retreated to be fixed at DM 3.7490 from DM 3.8310. Within the EMS the French franc was weaker at DM 35.29 per FFr 100 from DM 35.31 and the Belgian franc DM 5.125 per BFr 100 compared with DM 5.1290.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU January 25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9704	44.7760	−0.43	+0.95	±1.5501
Danish Krone ...	8.23400	8.05770	−2.14	−0.76	±1.6430
German D-Mark	2.33379	2.29775	−1.54	−0.16	±1.0888
French Franc ...	6.61387	6.51172	−1.54	−0.16	±1.3940
Dutch Guilder ...	2.57971	2.51706	−2.43	−1.05	±1.5004
Irish Punt	0.691011	0.689257	−0.25	+1.13	±1.6691
Italian Lira	1350.27	1320.55	−2.20	−1.45	±4.1369

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

Jan. 25	£	$		£ Note Rates
Argentina Peso	81,277 81,317	52,680 52,730	Austria..	26.20 26.50
Australia Dollar..	1.5720 1.5740	1.0215 1.0220	Belgium...	75.20-76.20
Brazil Cruzeiro	415.91 416.91	269.28 270.63	Denmark.	13.14-13.28
Finland Markka..	8.2700 8.2900	5.3790-5.3810	France..	10.59-10.69
Greek Drachma..	126.424 129.635	83.85 84.15	Germany..	3.74 3.78
Hong Kong Dollar	10.13¼ 10.15¼	6.5900 6.5950	Italy..	2135 2175
Iran Rial.	131.50*	83.85*	Japan.	365 370
Kuwait Dinar KD	0.448 0.449	0.2912 0.2913	Netherlands	4.09¼ 4.13¼
Luxembourg Fr..	72.70 72.80	47.32 47.34	Norway.	10.92-11.02
Malaysia Dollar..	3.5057 3.5225	2.2800 2.2820	Portugal.	145 185
New Zealand Dlr.	2.1185 2.1285	1.3830 1.3850	Spain..	192½-205½
Saudi Arab. Riyal	5.2990 5.3045	3.4400 3.4410	Sweden.	11.38 11.48
Singapore Dollar	3.1900 3.2050	2.0740 2.0760	Switzerland	3.06¼-3.10¼
Sth. African Rand	1.6470 1.6480	1.0715 1.0720	United States.	1.52¼ 1.54¼
U.A.E. Dirham.	5.6565 5.6635	3.6720 3.6740	Yugoslavia..	119-129

*Selling rates.

CURRENCY MOVEMENTS

Jan. 25	Bank of England Index	Morgan Guaranty Change %
Sterling..	81.0	−39.4
U.S. dollar.	119.8	+10.7
Canadian dollar.	89.4	−17.8
Austrian schilling.	120.1	+29.1
Belgian franc.	94.4	−1.9
Danish kroner.	84.4	−9.6
Deutsche mark.	126.0	+54.5
Swiss franc..	153.0	+109.6
Guilder.	119.3	+27.7
French franc..	74.0	−19.2
Lira..	53.3	−58.7
Yen...	144.8	+38.4

Based on trade weighted changes from Washington agreement December 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

Jan. 25	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.708549	0.614294
U.S. $	8½	1.08656	0.943249
Canadian $	9.81	*	1.16142
Austria Sch	4¾	18.6443	16.1814
Belgian F	11½	51.7447	44.7760
Danish Kr	10	9.33844	8.05770
D mark	5	2.65468	2.29775
Guilder	4½	2.90437	2.51706
French F.	9½	7.51628	6.51172
Lira	18	1524.72	1320.55
Yen	5½	260.448	224.069
Norwgn Kr	9	7.77542	6.71074
Spanish Pta	—	n.a.	122.311
Swedish Kr	9	8.10900	6.98664
Swiss Fr	4½	2.17931	1.88650
Greek Dr'ch	20½	91.2602	79.2140

* C$/SDR rate for Jan 24: 1.33217.

THE POUND SPOT AND FORWARD

Jan 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.5170-1.5450	1.5365-1.5375	0.35-0.30c pm	2.54	0.90-0.86 pm	2.28
Canada	1.8850-1.9075	1.8990-1.9000	0.15-0.05c pm	0.63	0.50-0.40 pm	0.95
Nethlnd	4.08-4.13½	4.08½-4.09½	2½-2⅛c pm	6.97	6⅞-6⅛ pm	6.48
Belgium	72.70-73.50	72.70-72.80	7-17c dis	−1.98	30-40 dis	−1.92
Denmark	13.03-13.25	13.03½-13.04½	7½-8⅞ore dis	−7.53	22½-23½ dis	−7.09
Ireland	1.1190-1.1300	1.1200-1.1220	0.61-0.72p dis	−7.12	1.45-1.66dis	−5.55
W. Ger.	3.72-3.78	3.72-3.73	2¼-1¾pf pm	6.44	5⅞-5⅛ pm	6.04
Portugal	144.00-148.00	144.50-146.50	340-1190c dis	−63.09	670-2200ds	−39.45
Spain	198.00-200.20	198.10-198.40	80-110c dis	−5.75	280-335 dis	−6.20
Italy	2141-2164	2141-2143	12-16lire dis	−7.84	49-54 dis	−9.62
Norway	10.90-11.01	10.90½-10.91½	½-1½ore dis	−1.03	4-5½ dis	−1.67
France	10.54-10.69	10.54½-10.55½	1¾-3¼c dis	−3.13	16-20 dis	−6.82
Sweden	11.33-11.48	11.33½-11.34½	2½-1¾ore pm	2.18	3½-2½ pm	1.06
Japan	361-368	362½-363½	1.65-1.45y pm	5.13	4.40-4.20 pm	4.74
Austria	26.10-26.55	26.13-26.18	14½-12½gro pm	6.16	38½-33½ pm	5.50
Switz.	3.05-3.11	3.05½-3.06½	2½-2⅛c pm	9.80	6⅛-5⅞ pm	7.84

Belgian rate is for convertible francs. Financial franc 75.85-75.95. Six-month forward dollar 1.49-1.44c pm. 12-month 2.35-2.20c pm.

THE DOLLAR SPOT AND FORWARD

Jan 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5170-1.5450	1.5365-1.5375	0.35-0.30c pm	2.54	0.90-0.86 pm	2.28
Ireland†	1.3570-1.3780	1.3735-1.3750	1.06-0.96c pm	8.86	2.65-2.45 pm	7.45
Canada	1.2315-1.2365	1.2350-1.2360	0.15-0.18c dis	−1.60	0.34-0.37dis	−1.15
Nethlnd.	2.6570-2.6860	2.6590-2.6610	1.05-0.95c pm	4.51	2.85-2.75 pm	4.21
Belgium	47.32-47.80	47.32-47.34	14-17c dis	−3.92	47-52 dis	−4.18
Denmark	8.4900-8.6060	8.4900-8.5000	6-7ore dis	−9.14	18½-17¼ dis	−7.85
W. Ger.	2.4170-2.4605	2.4210-2.4220	0.79-0.74pf pm	3.79	2.30-2.25 pm	3.76
Portugal	93.00-97.00	93.00-95.00	250-800c dis	−66.31	500-1500ds	−42.10
Spain	128.75-129.95	128.75-128.85	80-100c dis	−8.36	265-295 dis	−8.66
Italy	1392-1406½	1392½-1393½	11-13lire dis	−10.31	41-44 dis	−12.17
Norway	7.0940-7.1530	7.0940-7.1040	1.80-2.50ore dis	−3.63	6.90-7.60dis	−4.08
France	6.8550-6.9700	6.8600-6.8650	2½-3½c dis	−5.46	14½-16 dis	−8.88
Sweden	7.3940-7.4560	7.3940-7.3990	0.40-0.90ore dis	−1.06	2.60-3.10dis	−1.54
Japan	235.50-239.50	235.95-236.05	0.58-0.48y pm	2.67	7.58-7.48 pm	2.59
Austria	16.98-17.20	16.98-16.99	5.40-4.80gro pm	3.62	15½-12½ pm	3.29
Switz.	1.9885-2.0205	1.9895-1.9905	1.23-1.18c pm	7.27	3.28-3.23 pm	6.54

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 49.33-49.43.

EXCHANGE CROSS RATES

Jan. 25	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Doll'r	Belgian Franc
Pound Sterling	1.	1.537	3.725	362.8	10.55	3.060	4.090	2142.	1.900	72.75
U.S. Dollar	0.651	1.	2.424	236.0	6.864	1.991	2.661	1394.	1.236	47.33
Deutschemark	0.268	0.413	1.	97.38	2.832	0.821	1.098	575.0	0.510	19.53
Japanese Yen 1,000	2.757	4.237	10.27	1000.	29.08	8.436	11.27	5905.	5.236	200.6
French Franc 10	0.948	1.457	3.531	343.8	10.	2.900	3.877	2030.	1.800	68.96
Swiss Franc	0.327	0.502	1.217	118.5	3.448	1.	1.337	700.0	0.621	23.77
Dutch Guilder	0.244	0.376	0.911	88.69	2.579	0.748	1.	523.7	0.464	17.79
Italian Lira 1,000	0.467	0.718	1.739	169.4	4.923	1.429	1.909	1000.	0.887	33.96
Canadian Dollar	0.526	0.809	1.961	191.0	5.554	1.611	2.153	1128.	1.	38.30
Belgian Franc 100	1.375	2.113	5.120	498.6	14.50	4.206	5.622	2944.	2.611	100.

FINANCIAL FUTURES

Gilts recover

Attention remained focused on the performance of sterling in the London International Financial Futures Exchange yesterday. In very early trading *the pound/dollar rate was quoted* at an all time low of $1.5170 and this saw the March gilt price open 1½ down from Monday at 96-30. Intervention by the Bank of England helped sterling recover however and a quick look at the cash market showed that futures prices were comparatively cheap. At this point prices moved upwards to reach a resistance level around 97-15. However renewed dollar weakness in the afternoon prompted further interest and the March *contract rose to finish close to its* best level of the day at 98-05 compared with Monday's close of 97-23.

Short sterling prices followed much the same pattern, opening lower as cash prices were marked firmer on sterling's early weakness. A recovery during the morning prompted a little profit *taking towards noon but further* good buying in the afternoon pushed values up to the day's highs. The March price finished at 88-92 compared with an opening level of 88.71 and Monday's close of 89-13.

Euro-dollar prices opened higher at 90.65 in the March contract from a previous close of 90.58 but fell away before finding support around the 90.59 level. However fresh selling pushed values to the day's low followed by a slight recovery. Opening Chicago levels prompted *some* short covering and the March price improved to 90.62 at the close, near its best level of the *day.*

LONDON

THREE-MONTH EURODOLLAR $1m points of 100 per cent

	Close	High	Low	Prev
March	90.62	90.65	90.50	90.58
June	90.30	90.32	90.28	90.27
Sept	89.97	89.97	89.88	90.60
Dec	89.63	89.63	89.50	89.63
March	89.40	—	—	89.40

Volume 1,380 (1,627)
Previous day's open int. 3,356 (3,381)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100 per cent

	Close	High	Low	Prev
March	88.92	89.01	88.65	89.13
June	89.11	89.15	88.85	89.28
Sept	89.02	89.05	88.84	89.23
Dec	89.00	89.00	88.90	—

Volume 1,702 (1,124)
Previous day's open int. 2,626 (2,774)

20-YEAR 12 PER CENT NOTIONAL GILT £50,000 32nds of 100 per cent

	Close	High	Low	Prev
March	98-05	98-07	96-20	97-23
June	97-28	97-28	96-23	97-14

Volume 1,388 (1,250)
Previous day's open int. 2,201 (2,387)
Basis quote (clean cash price of 15½ per cent Treasury 1998 less equivalent price of near futures contract) par-08 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.5350	1.5386	1.5198	1.5417
June	1.5285	1.5290	1.5130	1.5347

Volume 582 (289)
Previous day's open int. 868 (979)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.4132	0.4136	0.4095	0.4058
June	0.4171	0.4171	0.4135	0.4096

Volume 507 (89)
Previous day's open int. 248 (269)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.5050	0.5051	0.5006	0.4974
June	0.5125	0.5125	0.5100	0.5048

Volume 418 (118)
Previous day's open int. 209 (195)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.4236	0.4236	0.4197	0.4165
June	0.4257	0.4260	0.4238	0.4180

Volume 54 (82)
Previous day's open int. 156 (132)

CHICAGO

U.S. TREASURY BONDS (CBT) 8 per cent $100,000 32nds of 100 per cent

	Latest	High	Low	Prev
March	74-12	74-20	74-03	74-00
June	73-23	73-30	73-14	−7311
Sept	73-08	73-15	72-30	72-28
Dec	72-28	73-00	72-21	72-17
March	72-19	72-21	72-12	72-06
June	72-13	72-14	72-06	72-01
Sept	72-07	72-08	72-02	71-27
Dec	72-02	72-03	71-29	71-22
March	71-30	7-31	71-25	71-18
June	—	—	—	71-14

U.S. TREASURY BILLS (IMM) $1m points of 100 per cent

	Latest	High	Low	Prev
March	91.93	92.00	91.85	91.79
June	91.61	91.69	91.51	91.48
Sept	91.33	91.36	91.23	91.19
Dec	91.04	91.05	90.97	90.91
March	90.75	90.80	90.75	90.69
June	—	90.54	—	90.49
Dec	90.36	90.36	90.36	90.28

CERT. DEPOSIT (IMM) $1m points of 100 per cent

	Latest	High	Low	Prev
Dec	—	89.96	89.94	89.99
March	90.91	90.98	90.88	90.89
June	90.48	90.55	90.47	90.47
Sept	90.18	90.24	90.17	90.15

THREE-MONTH EURODOLLAR (IMM) $1m points of 100 per cent

	Latest	High	Low	Prev
March	90.28	90.35	90.26	90.25
June	89.91	—	89.91	89.91
Sept	89.63	89.70	89.63	89.60
Dec	89.49	89.50	89.42	89.45
Feb	—	—	—	—

STERLING (IMM) Se per £

	Latest	High	Low	Prev
March	1.5330	1.5390	1.5280	1.5375
June	1.5280	1.5315	1.5225	1.5320
Sept	1.5250	1.5250	1.5185	1.5265
Dec	1.5200	1.5230	1.5175	1.5240
March	—	—	—	—
June	—	—	—	—

GNMA (CBT) 8 per cent $100,000 32nds of 100 per cent

	Latest	High	Low	Prev
March	68.15	68-27	68-08	68-05
June	67-18	67-30	67-11	67-07
Sept	67-00	67-10	66-26	66-21
Dec	66-22	66-27	66-13	66-06
March	66-10	66-17	66-08	65-28
June	65-30	66-05	65-30	65.78
Sept	65-26	65-26	65-18	65-06
Dec	65-22	65-22	65-16	64-30
March	—	—	—	64-30
June	—	—	—	—
Sept	—	—	—	—
Dec	—	—	—	—

MONEY MARKETS

Nervous trading as pound fluctuates

UK clearing bank base lending rate 11 per cent (since January 12 and 13)

Interest rates moved erratically during the day mirroring to a great extent the fortunes of sterling. Period rates opened at their firmest levels as the pound followed on its very weak trend in the Far East but a steady improvement against the dollar saw rates ease in the afternoon, still finishing higher than Monday's levels however. Short term rates remained soft as the Bank of England provided ample assistance to meet the day's shortage and so restrain any upward pressure on base rates. Overnight interbank money was quoted at 11¼-11⅜ per cent initially and eased in stages with most of the shortage with the discount houses, to *10½-10¾* per cent. It moved up to 10¾-11 per cent around lunch time but fell away in the afternoon to finish at 1-2 per cent.

The Bank forecast a shortage of around £150m with factors *affecting the market including* bills maturing in official hands and a net take up of Treasury bills −£150m and the unwinding of previous sale and repurchase agreements −£91m. Exchequer transactions drained a further £50m. On the other hand there was a fall in the note circulation of £80m. Assistance in the morning totalled £187m and comprised purchases of £1m of eligible bank bills in band 1 (up to 14 days) and in band 2 (15-33 days) £2m of Treasury bills and £105m of eligible bank bills. In band 3 (34-63 days) it bought £38m of eligible bank bills and in band 4 (64-91 days) £5m of Treasury *bills, £2m of local authority bills* and £34m of eligible bank bills (64-84 days). All purchases were made at 11 per cent. There was *no further intervention in the* afternoon.

In Frankfurt call money was quoted at 6 per cent, the same as the Lombard rate. *Increased* demand for funds reflected *attempts by banks to catch up of* reserve requirements following a temporary holding back stance last week in the hope of picking *up cheap funds after a discount* rate cut. The Bundesbank is however taking steps to ensure that rates do not start to climb. *Only last Friday it added* reserves through currency swaps.

LONDON MONEY RATES

Jan. 25 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ϕ	Eligible Bank Bills ϕ	Fine Trade Bills ϕ
Overnight..	—	1-11⅜	—	—	—	10-11½	1-11	—	—	—
2 days notice.	—	[illegible]	11⅛-11¼	—	—	—	—	—	—	—
7 days or..	—	[illegible]	—	—	—	11¼-11⅜	—	—	—	—
7 days notice..	—	11⅛-11¼	11¼-11½	—	—	12	10¾-11	—	—	—
One month	11¼-11½	11 11	11½	12¼-12	11¾	12	11	11¼	11⅛-11¼	11⅝
Two months	11⅛-11½	11 11	11⅛-11½	12⅛-11⅞	11⅝	12	11	11¼	11⅛-11¼	11⅝
Three months.	11⅛-11⅝	11-11	11⅜	11⅞-11½	11⅝	—	11	11¼	11⅛-11¼	11⅝
Six months	11⅛-11¼	11-11	11⅜	11⅝-11	11⅝	—	—	—	10⅞-10⅞	11½
Nine months	11⅛-11¼	11⅛-11	—	11-11½	11⅝	—	—	—	—	—
One year	11⅛-11⅜	11⅛-11⅜	11⅜-11½	11⅝-11⅝	11⅝	—	—	—	—	—
Two years.	—	—	11⅜-11⅝	—	—	—	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV Average Rate for interest period December 8 1982 to January 4 1983 (inclusive): 10.832 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 11⅝-11⅞ per cent; four years 11⅞-12 per cent; five years 11⅞-12⅛ per cent. ϕBank bill rates in table are buying rates for prime paper. Buying rate for four month bank bills 11 per cent; four month trade bills 11⅝ per cent.

Approximate selling rate for one month Treasury bills 11-11⅛ per cent; two months 11-11⅛ per cent and three months 11-11⅛ per cent. Approximate selling rate for one month bank bills 11-11[illegible] per cent; two months 11-11[illegible] per cent and three months 11-11⅛ per cent; trade bills 11[illegible] per cent; two months 11[illegible] per cent and three months 11⅝ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 10½ per cent from January 1 1983. London and Scottish Clearing Bank Rates for lending 10-10½ per cent. London Deposit Rates for sums at seven days' notice 7.8 per cent.

Treasury Bills: Average tender rate of discount 10.7530 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 11½ per cent; one-three-month 11⅛ per cent; three-12-month 11⅛ per cent. Under £100,000 11 per cent from January 17. Deposits held under Series 3-5 11⅛ per cent. The rate for all deposits withdrawn for cash 8½ per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Jan 24	Short term	7 days notice	Month	Three Months	Six Months	One Year
Sterling..	11¼-11½	11⅛-11¼	11½-11	11 11	11 11	11 11
U.S. Dollar.	8⅝-8⅞	8⅝-9⅛	9-9¼	9⅛-9⅜	9⅜-9½	9 9
Can. Dollar	11½-12½	10-11	10⅝-10⅞	10⅝-10⅞	10⅝-10⅞	10⅝-10⅞
D Guilder	2½-3	4¼-4½	4⅞-5	5-5⅛	5⅛-5¼	5⅜-5⅝
S. Franc..	3⅜-3⅝	5⅜-5⅝	2-2	2⅞-3	3⅛-3⅜	3-3
Deutschm'rk	5⅜-5⅝	5-5⅛	5⅛-5⅜	5⅛-5	5-5⅛	5⅛-5
French Franc	12½-13½	12½-13½	14-14⅛	18-18	18⅛-19	17½-18
Italian Lira	16-17½	17½-19½	18½-20½	21½-22½	22-22½	21½-22½
Belg. Franc.						
Conv.	11-12	11½-13	12⅞-13⅞	13-14	13⅛-14⅛	13-13½
Fin.	11½-12½	12-12⅛	12⅛-12½	12⅛-12½	12⅛-12½	12⅛-12½
Yen.	[illegible]	6⅛-6⅝	6⅛-6⅝	6⅛-6⅝	6-6	6⅛-6⅝
D. Krone	19-20	18⅞-19½	18½-19	18⅞-19⅛	18⅛-18⅝	17⅞-18⅝
Asia $ Sing.	9-9⅛	9-9⅛	9⅛-9⅛	9⅛-9½	9-9	9⅛-9⅛

FT LONDON INTERBANK FIXING

(11.00 a.m. JANUARY 25)

3 months U.S. dollars		6 months U.S. dollars	
bid 9 5/16	offer 9 7/16	bid 9 9/16	offer 9 11/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	11
Fed funds (lunch-time)	8½-8⅝
Treasury bills (13-week)	8.03
Treasury bills (26-week)	8.08

GERMANY

Lombard	6.0
Overnight rate	6.0
One month	6.075
Three months	5.975
Six months	5.875

FRANCE

Intervention rate	12.375
Overnight rate	12.50
One month	12.6875
Three months	12.6875
Six months	12.50

JAPAN

Discount rate	5.5
Call (unconditional)	6.78125
Bill discount (3-month)	6.84375

SWITZERLAND

Discount rate	4½
Overnight rate	⅝-1⅛
One month	2½-2⅝
Three months	2⅞-3

NETHERLANDS

Discount rate	4½
Overnight rate	4-4½
One month	4⅝-5
Three months	4⅞-5⅛
Six months	4⅞-5

$ CERTIFICATES OF DEPOSIT

One month	8.55-8.65
Three months	8.75-8.85
Six months	9.05-9.15
One year	9.25-9.45

LONG TERM EURO $

Two years	10⅝-10⅞
Three years	11⅛-11⅜
Four years	11½-11⅞
Five years	11⅞-12

SDR LINKED DEPOSITS

One month	8[illegible]-9[illegible]
Three months	9[illegible]-9[illegible]
Six months	9[illegible]-9[illegible]
One year	9⅛-9⅜

ECU LINKED DEPOSITS

One month	9⅞-10⅛
Three months	11[illegible]-11[illegible]
Six months	11⅛-11½
One year	10⅝-11⅛

Offshore and Managed Funds—continued

Schroder Mngt. Services (Jersey) Ltd.
P.O. Box 195, St Helier, Jersey. 0534 27561

Schroder Money Funds Ltd.			
Sterling	£13.2605	+0.0220	—
U.S. Dollar	US$25.0000	....	—
Deutschmark	DM50.0000	....	—
Swiss Franc	SF 50.0000	....	—

FINANCIAL TIMES SURVEY

Pictures: Leonard Burt

Indian Industry

International interest is increasing rapidly in India's industrial expansion which ranges from high technology and heavy engineering to small businesses and traditional crafts. But there are immense problems and the next two or three years will test the country's potential.

Government seeks planned expansion

By JOHN ELLIOTT, Industrial Editor

INDIAN INDUSTRY is at a crossroads. Within the next couple of years it could either begin to justify the international interest now being heaped upon it and move into a period of significant and efficient expansion.

Alternatively, it could founder in the morass of immense social, political and industrial problems which have held back its development in the past and which are now causing setbacks for Mrs Gandhi's Congress I Government.

Throughout the country there are signs of imminent breakthroughs into a new industrial era. But the country's traditional problems remain, and political defeats suffered earlier this month by Mrs Gandhi raise important question - marks about the future.

The potential new era would include expanded foreign involvement in industry, a reduction of bureaucratic controls, increased technology and efficiency, and more widespread employment. It would prove the wisdom of Mrs Gandhi's policies and set the country on a new path.

Almost every industry seems to be in the process of obtaining international tenders for major projects despite a severe shortage of foreign exchange. The projects range from steelworks, power stations and port developments to colour television studios, telephone systems and railway computer networks.

Several Japanese automotive companies are moving into the country, followed maybe by other industries, which could have a significant impact on Indian management.

The pace of international technical collaborations and equity investment is also increasing with several countries. In all parts of India there are reports of constant visits of bankers and industrialists from Europe, the U.S. and Japan sizing up the business opportunities.

But for the time being, the breakthroughs that such activity problems are hopes for the future. Mrs Gandhi herself suffered a serious political setback earlier this month when Congress I was humiliatingly defeated in three State elections. Further key tests in other States have to be faced soon. Unless they produce better results, the stability and permanence of her policies will be questioned.

And even before the election defeats, Mrs Gandhi's policies had suffered setbacks because industrial expansion last year was hampered by some traditional and some new problems.

Poor monsoon

A poor monsoon, a continuing heavy-handed bureaucracy, and appalling public sector inefficiency in areas such as electricity supply, have combined with tight credit restrictions, increased cheap imports and the world recession to curb expansion.

Industrial growth for 1982-83 is projected by the Federation of Indian Chambers of Commerce at less than 5 per cent compared with 8.2 per cent in 1981-82. But Mr. Pai Panandikar, the chamber's secretary general, denies that there is a recession. Instead he reflects a general mood of optimism for this year, partly induced by recent relaxations of credit controls and some public sector financing: "Judging by the way industry is now moving with finance from institutions and with licence approvals I expect the figures to be well up in 1983-84."

Dr Fredie Mater, a director and economic advisor at the Tata group, is less sure and declares that "it is difficult to say anything with confidence."

He stresses the need for the winter "rabi" harvest to go a considerable way to compensate for the losses of the "kharif" crop. This would help correct some of the problems caused by the poor monsoon which cut consumer demand and also caused extra industrial power shortages because dry farmland needed extra electricity for irrigation pumps and because the water shortage hit hydro-power output.

The Government expects monthly growth figures for the past four months to show improvements. Industrial production only grew by 4.2 per cent in the four months to August last year above the same period in 1981. This compared with 10.7 per cent for the same four months in 1981 over 1980.

The 4.2 per cent was expected to improve to 4.5 per cent for the four months to September this year, and then maybe rise to 7 per cent for the period to October.

Against this background, the Government is pursuing a wide-ranging and expensive industrial policy which tries to balance the often conflicting industrial and social targets of boosting technological efficiency and increasing employment, especially in backward areas.

This starts with massive investments aimed at making the country self-reliant with the help of foreign technology and finance in core industries such as oil, steel, fertilisers and cement, in addition to making a special case of defence and allied industries.

"There is no question of self-sufficiency in the sense of being self-contained in any area of economic activity. The objective is to be self-reliant in the sense of being able to function on our own if need be," says Mr N. D. Tiwari,

CONTINUED ON NEXT PAGE

CONTENTS

● Editorial production of this survey by Mike Wiltshire. Design: Philip Hunt.

MAJOR INDUSTRY GROUPS

(showing employment percentage share)

Food	6.8
Beverages, tobacco	5.1
Textiles	23.1
Wood and paper	4.8
Leather, rubber and plastics	3.8
Chemicals	5.8
Mineral products	4.3
Basic metals	7.1
Metal products	2.7
Electrical machinery	3.9
Other machinery	5.4
Transport equipment	5.0
Electricity	8.8

OTHER KEY STATISTICS

Population: 686.2m
Working population: Organised sector 22.5m (1980); registered job seekers 16.2m (1980).
Area: 3,136,500 sq km.
Life expectation: 54 years.
GDP 1980: Rs 1,256.8bn; US$159.8bn
Per capita: Rs 1,831.5; US$232.9
Trade:
Exports 1981: Rs 62,840m
Imports, 1981: Rs 119,800m
Foreign exchange reserves: December, 1981: US$3,764m
Currency: Rupee; £=Rs 15.54; $=Rs 9.756
Exchange rates:
1980 average: $=Rs 7.863
1981 average: $=Rs 8.659

Mr. Tiwari discusses the aims of India's industrial policy with **John Elliott**

Aiming for self-reliance

INDIA'S INDUSTRIAL policy has moved a long way in the past 10 years from the days when the country's fears of being exploited industrially led to almost closed doors, oppressive controls, and a distrust of foreign investors.

Those attitudes are still apparent as undercurrents of industrial policy, but the public face adopted by the Government is very different.

Mr Narayan Datt Tiwari, Minister for Industry, Steel and Mines, sums up the new approach with three statements:

- "The industrial policy has not changed. Procedures, however, have been streamlined and clearances expedited."
- "The objective is to be self-reliant in the sense of being able to function on our own, if need be."
- "My message to foreign companies is: please study our realistic policies which provide ample scope for productive collaboration in major fields of investment."

Mr Tiwari also says that the Government has "no idea of reversing our import policy," although he adds that "corrective action" is being taken where imports affect production in India.

With the confident ease of a politician who has risen to Cabinet rank through a series of key Congress Party posts, Mr Tiwari dismisses ideas that India can be "self sufficient." But he insists it must be self-reliant in "vital requirements," such as steel and other vital commodities.

"No country can be self-sufficient in itself. But there are points in a nation's history where it may need to meet vital requirements without any support from outside," he declares, illustrating the country's preoccupation with international tensions.

Aged 57, Mr Tiwari is a close ally and emissary of Mrs Gandhi. When I met him in New Delhi recently he was playing a major role for the Congress I Party in the elections in Andhara Pradesh, one of three states where Mrs Gandhi was to suffer serious electoral setbacks early this month. His job was to be the official observer, helping to choose the candidates and be in charge of the party's campaign.

His own political base is in Uttar Pradesh. He was Chief Minister there from 1976-77 and established a reputation as an experienced politician, skilled in conciliation and negotiation. Since the Gandhi Government came to power in 1980 he has helped sort out political problems in various States as well as holding cabinet rank.

His first Delhi post, in 1980, was the deputy chairmanship of the Planning Commission which mainly involved his handling rival claims from different States. He was also Minister of Labour for a year.

Mr Tiwari, a close ally of Mrs Gandhi.

He has been Minister of Industry for 17 months, adding the steel and mines portfolios to his responsibilities at the beginning of last year.

As a State politician in Uttar Pradesh for nearly 30 years from the early 1950s, he became specially concerned about the development of backward areas and of agriculture. This comes through clearly now that he is Industry Minister.

He is uncompromising in his defence of the Government's policy to persuade, if not coerce, companies to set up in undeveloped "backward" and "no industry" areas, so taking a different view from Mr L. K. Jha, Mrs Gandhi's special economic adviser *(see next page)*.

Suggesting that such direction of industry is little different from some European countries' regional policies over the past 30 years, the minister says: "It is certainly in the country's interest to achieve an even spread of industrialisation. Isolated pockets of affluence only sharpen social disaffection. In a vast country like India, with social problems, we cannot have vast tracts without industry."

The Government's aim, emphasised recently in speeches by Mrs Gandhi and Mr Tiwari, is to attract to the areas those industries with "widest linkage effects"

Turning to the Government's special support for small scale industries, Mr Tiwari says: "Certain areas of industrial activity which are intensive of employment, which can be widely dispersed, and which are oriented to precision and individual skills, should normally be developed in the small-scale sector. Our small sector development has been spectacular, in the sense that we have over 1m small units. The ratio of 'sick' units is very small."

The Government has "reserved" 835 manufactured items, ranging from light engineering and some drugs to tape recorders and televisions for manufacture in the small sector. This is a controversial aspect of the policy, partly because it ignores economy of scale.

But illustrating India's over-riding concern about providing jobs, Mr Tiwari says that "it is the most economic way of manufacturing because it has the most favourable capital-employment ratio."

Concern about employment prospects also dominates thinking on high technology. Mr Tiwari acknowledges, for example, that robots may have a place in Indian industry, but adds that for employment and cost reasons it would not make sense for too much work to be done by machines.

He uses the Government's official words "appropriate technology" to explain what he means: "We must apply appropriate technology at different levels, harmoniously blending what is available so that at a cottage level you improve the hand loom and the spinning wheel. You must also use technology for the bullock cart which needs better wheels and shafts to transform its efficiency. We shall not change our technology overnight."

On a different scale, Mr Tiwari rejects suggestions that India is wasting scarce resources by vastly expanding its steel industry at a time of world steel surplus. The surplus, he says, is a "Momentary phenomena." He clearly wants India to be fully self-reliant in steels, although he recognises that it will have to import various special products.

And to critics of the performance of the country's economy in 1982 (dubbed "Productivity Year" by Mrs Gandhi), he retorts: "While the world is tilting to a negative growth in industrial production, we have maintained a positive thrust."

Fresh moves to ease industrial controls

INDUSTRIAL CONTROLS play a major role in the life of companies in India. Regular pilgrimages are made by businessmen from offices and factories all over the country to the centres of power in Delhi. There the businessmen often sit for hours in the outer offices of influential government civil servants, waiting for a few minutes with the man who has the power to sign a piece of paper and clear a key stage of some propject through the myriad of Indian controls.

These controls have been considerably relaxed during the past couple of years, especially in the last nine months. The most recent initiative, announced earlier this month, was aimed at speeding up industrial development approvals for investments by Indians living abroad and for export-oriented projects.

In many areas, licensing controls have been eased, foreign technology is being accepted more willingly, and imports restrictions have been relaxed.

But the basic policy of industrial controls has not been changed and there are many reports of bureaucrats at various levels in the Government being unwilling to accept the liberal spirit of the policy being pushed by Mrs Gandhi and her closest advisers.

At a senior level, a more relaxed regime is being pursued, as far as is possible, within a system which believes in central control.

No apologies

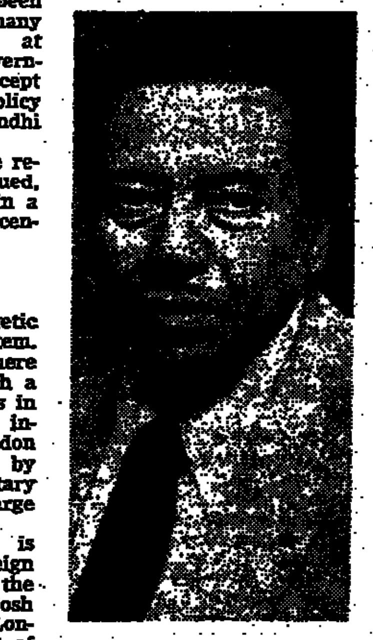
"I am not at all apologetic about our bureaucracy system. There is a system, and there shall be a system, and such a system is good for investors in today's unstable world," an investment conference in London was told a few months ago by Mr S. M. Ghosh, the Secretary for Industry, who is in charge of industrial licensing.

The problem, however, is that many Indian and foreign businessmen consider the regime demotivating. Mr Ghosh dismissed such worries in London as "a lingering twilight of people making excuses and alibis." But one businessman told me in Madras: "The Government should get a little wiser and say 'do,' rather than 'do not.'"

Another in Bombay said "the spirit of enterprise among Indian businessmen is underrated. What does exist, however, is an atmosphere in which people do give up. We all waste so much time lobbying in Delhi, instead of managing."

Three new policy innovations are now being considered by the Cabinet. One is a package of measures to encourage companies to set up in designated "backward areas," perhaps compensating them for the extra costs involved in building up a plant in locations with no industry.

The second is a faster "green channel" of licensing for certain categories of industries which are suitable for being spread around backward areas and for industries which produce key goods. About 30 per cent of manufacturing industry might be covered by this concession.



Mr Ghosh . . . "I am not at all apologetic about our bureaucracy systems"

A further list of key industries is being considered which would cover areas in which monopoly (MRTP) houses could invest without running into problems under the country's monopoly legislation. Fertilisers, high technology capital goods and other items now being imported are likely to be included.

Considerable changes have already been introduced and this is generally recognised throughout Indian industry.

First, there has been a relaxation of import controls on raw materials and industrial machinery in short supply in India.

The policy is operated through bank letters of credits and is highly controversial. Many businessmen claim that imports of goods such as soda ash, PVC, special steels and synthetic fibres have been dumped at low prices that have under-cut home manufacturers.

To encourage exports, new companies selling 75 per cent or more of their output abroad are being given concessions on industrial licensing, taxes and raw material import restrictions similar to those which exist in India's two duty free zones. Around 200 production units have been approved, but few have yet started business, partly because of the world-wide recession.

The most widespread concessions have been on industrial licensing. Some procedures have been abolished or speeded up, and a greater freedom has been given to monopoly (MRTP) and foreign-owned (FERA) houses.

During 1982, a company was allowed to increase its existing production by 33.3 per cent above its best output levels in the past five years, which itself could already have been 25 per cent above formal licensed capacity under an earlier concession.

This can be repeated this year, so that a total increase of more than 100 per cent is feasible. But this must be achieved by only adding "balancing equipment" which itself does not increase the plant's capacity by more than 25 per cent.

These expansions have to be endorsed by the Government within 15 days of application. But the response from industry has been disappointing so far, mainly because of the country's economic problems which have cut demand. Only about 150 cases had been dealt with by last month, which is about 10 per cent of the anticipated response.

The Government's speeding up of industrial approvals for new projects has helped to produce better results at a time when capital investment is packing up.

In the first 10 months of last year, to the end of October, 805 letters of intent were issued on industrial licensing, compared with 677 in the same period of 1981, and 596 in January-October 1980.

The progress of the Government's existing policy of pushing companies towards developing in "backward areas" is also demonstrated by the letters of intent for such projects which rose during the same periods from about 270 in both 1980 and 1981 to 425 last year.

The "backward area" policy has been strengthened in the past year by the designation of "no industry" areas which are given special priority and have some special incentives, but the Government is having problems attracting big companies.

Investment and development controls affecting the foreign-owned and monopoly houses have also been relaxed and the Industry Ministry is willing to adopt a more favourable attitude to the size of foreign equity stakes in new ventures, subject to basic foreign ownership laws. The Industry Ministry believes that the success of this policy is beginning to emerge with an increase in the number of technical and financial collaborations.

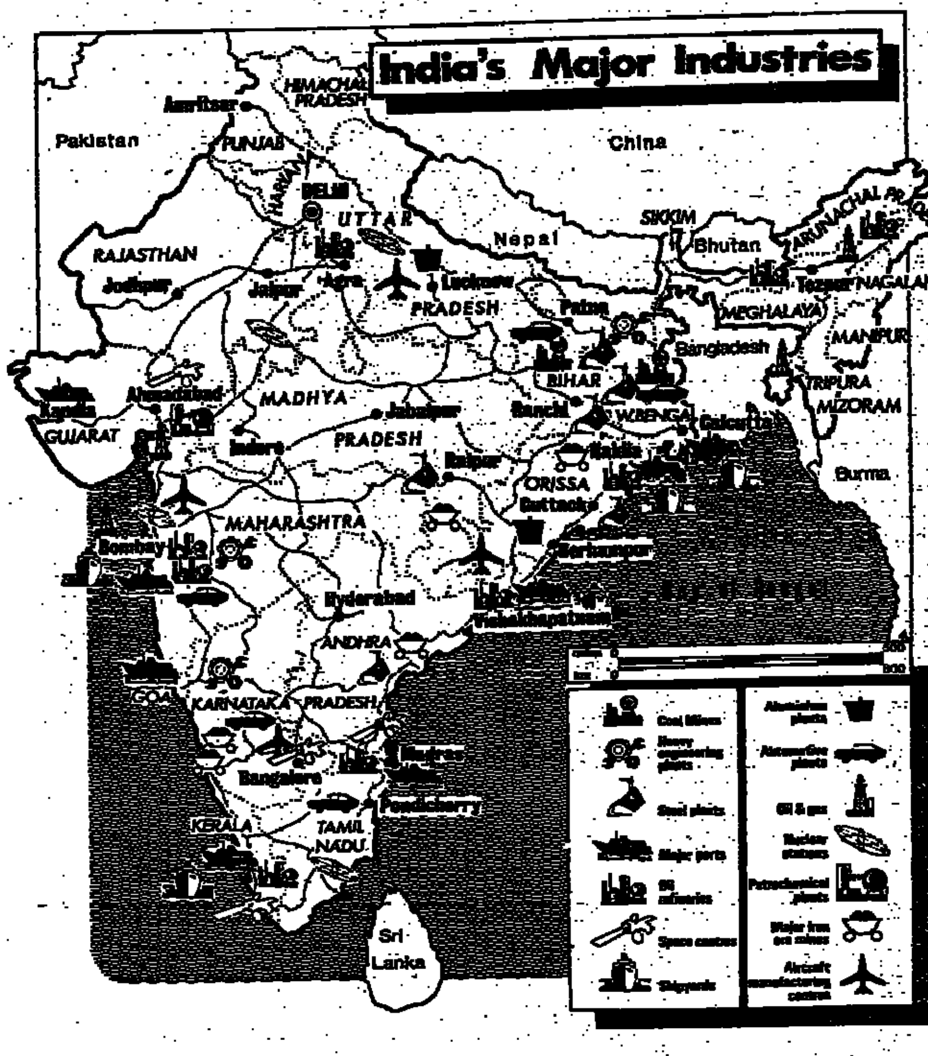
The latest initiative has been the creation of a special unit within the Secretariat for Industrial Approvals aimed at encouraging investments from Indians living abroad. These are guaranteed a final approval —or otherwise—within 45 days of application, a major shortening of usual timescales. The unit will also handle applications for projects to produce goods aimed at approaching 100 per cent exports.

But the main impact of the changes of the past couple of years has yet to emerge. At present, there is little doubt in Indian industry that the country's top politicians and bureaucrats want to change.

Mr Tarun Das, director of the Association of Indian Engineering Industry, acknowledges this — "the procedures have been simplified and the attitude of the Government towards technical transfer and foreign investment has become far more positive," he says.

But it will not be until well into this year that the impact in firm investment decisions and manufacturing go-aheads can be fully assessed.

J. E.



Industry at the crossroads

CONTINUED FROM PREVIOUS PAGE

Minister for Industry, who is a close ally of Mrs Gandhi.

At the other end of the industrial scale, more than 800 products are reserved for production in small scale industries, and companies are coerced into setting up factories in backward and "no industry" areas.

Both these policies are criticised by some industrialists because they fly in the face of notions of economy of scale. But both are defended by Mr Tiwari who says the small industry policy provides the "most favourable capital: employment ratio." The backward area policy is justified because it is "in the country's interest to achieve an even spread of industrialisation."

Few businessmen quarrel with the principles of these policies and most are keen to co-operate, realising that no Government which hoped to hold India together as one nation could adopt any lesser policies. But some do quarrel with the detailed implementation through the country's system of licensing controls.

Indeed, it is ironic that the Government's attempts to motivate industry by loosening many of the controls should coincide with renewed attempts to use the licensing system to push companies to backward areas.

Nevertheless, considerable progress has been made on reducing the controls and two or three further initiatives are now being considered by the Cabinet. They include a "green channel" system to speed licensing approvals for perhaps 30 per cent of manufacturing industry, a list of key industries in which large monopoly houses can invest more freely, and fresh incentives to overcome resistance among large companies to the backward areas.

As part of the more relaxed approach to industrial controls, efforts have also been made in the past year to increase international involvement.

Contentious

Mr Tiwari and his senior civil servant, Mr S. M. Ghosh, industry secretary, have travelled to several countries in Europe and elsewhere, including the international Davos management forum in Switzerland. Their message is that foreign companies should strike new technological and manufacturing partnerships, maybe including equity investments, to replace the trading and limited technical collaborations deals of the past.

In particular, they suggest that India should be used to produce cheaply those labour-intensive and relatively low technology. products that can no longer be economically made in European and other more industrially advanced countries. This is a contentious notion because several businessmen claim that labour inefficiency, power shortages and high shipping costs often more than cancel out the gains of the country's cheap manual labour.

There are reports, however, of some factories being moved from Europe to India, mainly for export production, and there are undisputed savings to be made when the Indian labour involved is middle class and technically qualified, but still relatively low paid.

There are also prospects pushed by the Government and some industrialists for partnerships in which Indian companies make basic engineering products on to which European and American electronics and other technology know-how is grafted, with the results being marketed internationally.

"The future is in working together. The days of companies just selling goods in India are over. The days of just transferring technology as bits and pieces are almost over whenever we can build our own products," says Mr N. L. Krishnan, managing director of the Government-owned Bharat Electronics of Bangalore.

The number of international collaborations approved by the Government looks like reaching record levels in 1982 with a total 550 of which 100 will probably include equity investments. This compares with annual totals of between about 250 to 400 collaborations and 30 to 60 equity investments in most of the previous seven years.

The U.S. and Germany are leading the list of new collaborations, followed by the UK, Switzerland and Japan. If this international trend continues, the UK's dominance in Indian industry will gradually decline, although its rating in the statistics will probably remain high for some time because of the continuing renewal of existing agreements.

Yet despite all the progress there are businessmen in India who are fearful for the future. They talk in terms of "crisis," linking the poor monsoon and economic performance with concern that Mrs Gandhi is not being strong enough in asserting her authority over weak Ministerial Government in individual states, or over the corruption, the sectarian revolts and the other regional troubles that hog India's newspaper headlines.

Some even wonder whether she will feel bound to stage some political demonstration before the next election, not going so far as her state of emergency in the mid-1970s but by adopting some key measures towards major industries such as nationalisation.

Such businessmen are concerned that India does not seem to function effectively except in times of crisis.

They realise — as does the Government — that industry needs to motivate itself without such catalysts as national emergencies if it is to do other than teeter on the edge of the breakthrough that is now in prospect.

● THIS SURVEY was written by Financial Times writers who toured India recently. They were John Elliott, Industrial Editor, who travelled from London with Alain Cass, Asia Editor; Peter Bruce and Dina Thomson, plus correspondents based in India: K. K. Sharma in Delhi, R. C. Murthy in Bombay and P. C. Mahanti in Calcutta. Photographs by Leonard Burt.

INDIAN INDUSTRY III

Alain Cass, Asia Editor, examines India's economic and political framework

Frustration for economic planners

THE FACT that the weather is the ultimate arbiter of how well or badly the Indian economy performs overall is one of the abiding frustrations of the country's economic planners.

This year that frustration must be tinged with a touch of bitterness, since what might otherwise have been a highly creditable performance due to good management and innovative policies will turn out to be a poor one because of an appalling monsoon.

When the fiscal year which ends in March 1983 finally comes to an end, the economy as a whole may well show no growth at all due primarily to a drop of the order of 6 to 7 per cent in agricultural output.

The Indian economy is dominated by its vast and widely dispersed agricultural sector which employs two-thirds of the labour force and accounts for over 40 per cent of the country's Gross National Product.

Mrs Gandhi—policy changes since the 1980 general election

The poor monsoon, which resulted in drought in some areas and floods in others, means that the food grain crop will probably peak at around 123m tonnes, about 7.5 per cent below last year's level and well below the Government target of 140m.

As a result of the poor monsoon, state and Central Government budget deficits will rise, foreign exchange reserves, which have already declined to a dangerously low level, will come under further pressure because of the need to import grain and the impulse to control imports and therefore erode the gains made as a result of the new, liberal foreign commercial policy will grow.

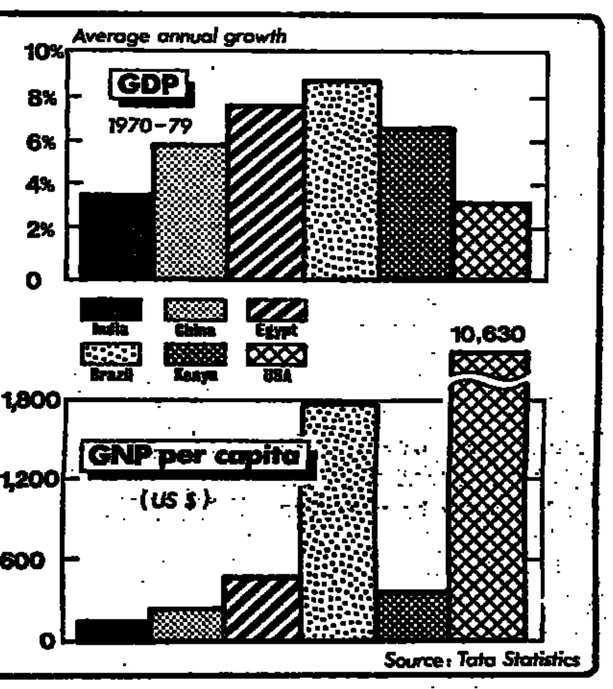
Three other major factors have combined to muddy the picture this year. The first is power shortages despite some impressive progress in the increase in domestic oil and gas output.

The second is a worrying level of labour unrest—largely distorted, it should be said, by the marathon textile strike in Bombay — and the third is a slower than hoped for growth in exports and a continuing deterioration in India's terms of trade.

There were already indications by early December that the Government had decided to cut back on imports. A committee had been formed to prune imports of what were described as "non-essential items" finding their way into the country as a result of the liberalisation.

The 1982-83 trade deficit could be as high as US$7bn, while foreign exchange reserves could end the fiscal year at around US$4.2bn down from nearly US$7bn in 1980-81. The figure would be even lower if borrowings from the International Monetary Fund under the three-year U.S.$5.8bn extended Fund Facility were not taken into account.

This year's performance is especially disappointing since the past two years, from the time Mrs Indira Gandhi returned to power in 1980, has witnessed an impressive recovery after the disastrous year of 1979-80 when a combination of poor harvests, oil price increases and soaring inflation conspired to record one of the worst years ever.



Inflation

Mrs Gandhi can take some comfort from the fact that inflation has continued to fall from the dizzy heights of around 18 per cent when she came into power to 2.4 per cent today and that the industrial sector as a whole, which accounts for about 24 per cent of GNP and over 60 per cent of the country's exports, will probably grow by around 6 per cent despite what the U.S. Embassy report call a "mild slump" in some industries and the disastrous strike in the Bombay textile industry.

But that is not the whole story and the political humiliation suffered by the Prime Minister in three state elections, earlier this month, must now cast a dark cloud over the immediate future.

Were she to react as she has always tended in the past when cornered, Mrs Gandhi can be expected to do something spectacular in a bid to retrieve the situation after the defeats in Tripura, Andhra Pradesh and, more seriously, Karnataka, which is where she made her comeback in 1980.

The vote against her Congress (I) candidates, especially in the two southern states, reinforced two growing tendancies in Indian political life today. The first is the continuing disintegration of the national consensus on which modern India was founded. This is manifested, at one extreme, by violent protest, as in the north-eastern state of the Punjab where Sikh separatism is growing and, at the other, with the rise of regional parties who seem to be firmly rooted in sectarian interests.

The second message from the election defeat was the rejection in those states of Mrs Gandhi's style of government. It was also an affirmation that the undoubted charisma which has, so far, kept her as the only figure of national stature, is beginning to wane. Beyond this, it was a firm rebuff to her son and heir-apparent, Rajiv, who must now work harder than ever to prove he has the mettle to mix it in the rough and tumble of Indian politics.

Mrs Gandhi has maintained an uncharacteristic silence since her defeat. She is probably waiting to see what happens next month when elections are due in Delhi and in the volatile north-eastern states. If those go against her, then she may feel she is fighting for her political survival once again, even though a general election is not due for another two years.

She could, as some have hinted, take extra-constitutional measures to save herself. She might alternatively be tempted to act decisively on the economic front, as she did in 1969 when she nationalised the banks for political reasons.

Her alternative would be to continue on her present course of opening up the economy, mending her fences abroad by building better ties with the U.S. and flirting with the idea of a permanent peace with Pakistan. No doubt this is what the cooler heads around her are advising her to do. They believe, perhaps rightly, that she has no rivals on the national scene and, however much of a mess the Congress (I) Party may be in, she would still win a general election if she went to the country because the opposition is an even worse mess.

Still the defeats, in essence, mean that the firm political base from which Mrs Gandhi launched her new economic and foreign policies when she returned to power in 1980, is now looking shaky and something must be done to shore up her party.

How the Iron Lady of India reacts and the effect which her actions will subsequently have on the economy as a whole, and therefore on foreign investors, is now one of the more intriguing questions of India's hectic post-war existence.

L. K. Jha, Mrs. Gandhi's economic adviser, talks to John Elliott, on how India's policies are changing.

'An imbalance of liberalisation'

CONTROLS ON imports to India have been relaxed too fast while enough freedom has not been given to home-based manufacturing industry.

"The result," says Mr L. K. Jha, an elderly senior civil servant who now advises Mrs Gandhi on policy reforms, "has been an imbalance of liberalisation."

"I'd have preferred a situation in which you would have greater freedom to produce more first, before freedom to import more," he declares, demonstrating a confident detachment and willingness to criticise what the Government is doing.

He says the balance of payments is now his main concern on economic policy and he wants imports of key items controlled.

"The only debate is whether to do it by raising tariffs or restricting licences," he says.

For the past 21 months, Mr Jha has been advising Mrs Gandhi on general economic policy and on how industrial and other controls can be dismantled.

From his vantage point of age and experience, he says he is not pessimistic, though he admits the Government might come under pressure to reverse some of its reforms before the 1984-85 general election if this year's expected economic revival does not materialise and if political problems increase.

Dismantling controls

He is now presiding over the dismantling of the controls that he helped to create in the 1950s. He was appointed in 1981 to head a small Government unit called the Economic Administration Reforms Commission. With a total staff of about 15, he has produced a dozen reports ranging from relaxation of industrial licensing controls and tax reforms that might be introduced in this year's budget, to the competence of India's commercial representation abroad.

His past appointments have included being Governor of the Reserve Bank of India, ambassador to Washington, a regional state governor and secretary to the late Prime Minister, Mr Lal Bahadur Shastri.

Now he operates from an elegant white house at the sedate end of Delhi's busy Janpath thoroughfare. His office is dark and spaciously elegant, shielding him from the heat and bustle of the centre of Delhi, and contrasting with the crowded and less relaxed offices of some other senior civil servants.

He looks back over the years with the eye of a top bureaucrat who has helped to invent and administer many swings in policy.

Mr L. K. Jha . . . "Younger industrialists in India are getting the right signals"

"The economy has been passing through various phases and many of the measures appropriate to earlier states of our industrialisation have become outmoded with the greater experience of our industry," is how Mr Jha starts to explain why the isolationist policies of the past are being changed.

"It is now possible to take a different view on many issues," he says.

"We had industrialisation based on a high shelter from competition internationally. Companies were also sheltered from internal competition because estimates of demand were always too low. Industrial licensing never functioned fast enough to stop shortages, and restrictions on expansion by large monopoly companies meant that the bigger companies didn't compete effectively.

"Companies knew the Government would bale out sick industries to protect employment.

"Now a lot of the private sector industries that have been exposed to competition in the last two or three years recognise the advantages. The managements have pulled their socks up and are motivated now to make good profits."

But Mr Jha has not been able to push through the Government machine reforms as fast as he would like.

"There are officials who would like to go along our road but only so far, not too far," he says.

Mr Jha would like the Government to "list out industries which could be given a total green signal for development." He would include those with major export potential, and those producing basic products which affected industrial development and consumption.

The ceiling for the small scale sector, below which companies escape most bureaucractic controls should also be raised.

"We should also pay more attention to industry being efficient," he adds. He is concerned about the effects of existing policies which force companies to set up in backward areas. "Regional development has meant that plants have been spread around the country to spread industrialisation. But the price has been higher production costs and many of the companies take 10 years to become profitable."

Competitiveness

He also rejects policies aimed at forcing some companies only to export, and says that India should not expect to become "another Singapore."

"Producing solely for export is not really the road to salvation. We need instead to allow free competitive production which would give economies of scale and make us competitive. Protecting industry and splitting industrial capacity around the country has ruined competitiveness."

In the public sector, Mr Jha regrets that management goes for "compliance with the rules rather than results."

Faced with the risk of being called to account by parliamentary select committees, managers are "terrified, poor chaps." Their fear stopped them taking effective management decisions and so provided governments with justification for keeping a tight control.

"I am going to urge that the autonomy of the enterprise should be enlarged. Get competent men in and let them get on with the job instead of having bureaucrats breathing all over them."

Whether the loosening of controls will have to be reversed would depend on the response of the electorate.

"The Government might be compelled to adjust policies. Its future would not be at stake on this issue. But its own assessment of what to do could be affected by how the policies affect the common man in terms of prices and employment. If the common man can benefit, it is good."

The Government's industrial policies had to be clear internationally. "The investor must get the right signals. I believe the younger industrialists in India are getting the right signals even if the older ones are still talking about *swadeshi*—the notion of protecting your indiginous industries.

"I am hopeful for India. I have seen worse times than this. And I do think the younger elements in management are responding well to what we are doing—they are optimistic and they understand."

Dina Thomson looks at careers in the public and private sectors

Conflicts arise over remuneration

PROFESSIONAL managers in India are faced with a painful decision. The combined package of salary and perks in the private sector far outweighs financial remuneration in the public sector, but some say it does not offer the same level of responsibility. At the same time, a career in the public sector is often described as a frustrating exercise in learning to live with political interference.

As far as salaries and perks are concerned, top executives on both sides of the fence are equally acrimonious about the advantages held by their counterparts. Mr A. Swaminathan, managing-director of Humphreys and Glasgow, a private sector consulting firm, has worked in both public and private sectors.

He says: "You have to be a bit of a hypocrite to work in the public sector, to keep up that austere front, while living a fairly high life-style."

In 1978, the Government outlined levels for boardroom remuneration in the private sector. The total amount of salary and commission of a full-time managing director was not to exceed Rs 72,000 ($7,293) and was further limited to a percentage of the firm's profits.

These guidelines exclude top executives who are not on the board of directors. Some companies make use of this loophole by other chief executives and other top personnel off the board so that they can pay them more than the official limits.

Mr Keshub Mahindra, chairman of Mahindra & Mahindra, a private sector automotive firm (see profile), took the government to court over its right to set ceilings on pay of professional managers when there are no limits on pay for doctors, lawyers or film actors. He won his case in the Delhi High Court, and the Government is now appealing to the Supreme Court—the case is *sub judice*.

Applications

In reality, however, the Government's original guidelines have not been enforced, and it continues to approve private sector applications for higher pay on the condition that companies will adjust the levels if the Government wins its court case. Top executives in the private sector say, with some amusement, that they expect the case to be pending for years.

The public sector has had its own problems with government regulations for pay. Earlier this year, the Government increased the dearness allowance, which compensates for cost-of-living increases, for senior Government posts. Fifty public sector companies then adopted the Government's new formula, resulting in some managers in the public sector being paid much more than others.

The Standing Conference on Public Enterprises (SCOPE), an organisation representing public sector industry, made representations to the Government.

In November, the Finance Ministry revised scales of pay for top executives in the public sector, bringing them all into line.

Depending on the company, basic pay for a managing director in the public sector is between Rs 3,000 ($304) and Rs 5,000 ($506) a month.

Comparisons between the public and private sectors are difficult because of variations between private sector companies, methods of calculating perks, and the extent to which the company is taking advantage of all possible loopholes. But many businessmen in the private sector admit that, all told, they can be paid as much as double their counterparts in the public sector.

The managing director of a private sector company with foreign shareholding says: "What is spent on the managing director of a respectable private sector company can be anything from Rs 140,000 ($14,182) and Rs 200,000 ($20,260) before tax. In the public sector, a man in an equivalent post would carry home about Rs 30,000 ($3,039) a year."

The managing director of another private sector company says: "With everything—gas, electricity, servants, cars, house—free of charge, and an entertainment allowance that provides for all other expenses when I am not actually being entertained myself, my monthly salary amounts to pocket money."

Officials in the public sector concede the private sector's claim that top executives in the public sector are lavishly entertained by the private sector, and make up in status and power what they may lose in direct financial remuneration. But they believe that just as the private sector suffers from its need for the approval of the public sector, so too public sector officials suffer from their ultimate dependence on the politicians behind them.

Mr Waris Kidwai, secretary of SCOPE, says: "There is too much interference and intervention by the Government in the public sector.

"Constant Government scrutiny produces negative results. The Government issues directives but the decision is ultimately yours, and the Government has made it clear that it never takes the final responsibility. As a result, risks are less likely to be contemplated, and there is a lack of innovation."

Mr Prem Pandhi, an ex-chairman of Cadbury in India, left the company in 1981 before reaching retirement age, to set up the International Management Institute, a non-profit organisation which has been funded by private and public sector industrialists. He is clear on the need for better professional management in India and the improvement of job satisfaction as well as pay in the public sector.

But he says: "If our public sector is not working ideally, it is not because of a lack of good managers. Political interference keeps them from implementing their ideas."

The All India Management Association, of which Mr Pandhi is president, has been appealing to the Government to bridge disparities in actual pay between the public and private sectors. It argues that public sector managers carry enormous responsibilities in running projects involving vast investments and should be paid accordingly.

Training

Mr Pandhi and other officials in management point out that the level of training of mana-
gers in the public sector is often
in the public sector is often very high. But Mr Pandhi says: "As the director of one of the Government-sponsored management institutes complained — we prepared these managers for important decisions in the public sector and then they go and sell chocolates and toothpaste because the Government can't pay them adequately or motivate them enough."

There is mobility in the other direction as well—young professional managers do move over from the public to the private sector, particularly once they reach levels of middle management when they have to wait another ten years to reach the car-and-driver stage.

But Mr Pandhi says that "despite the tendency to go for the cushy jobs, there are still a lot of people who go into or move into the public sector. Many of them complain that jobs in the private sector are basically clerical."

For a young university graduate of about 24, the choice between the public and private sector amounts to more than just pay. But responsibility, hampered by political interference, in the one is not necessarily compensated for by freedom in the other.

Mr A. Swaminathan says there is "much despotism in the private sector—people who control shares play a major part in decisions. If the public sector were to be made a commercial proposition and removed from all this Parliamentary scrutiny, it would do better than the private sector with all its whims and squabbles."

There is always the best of both worlds. If a graduate joins the civil service he is eligible, after 25 years of Government service, to retire with a full pension. Then, at the age of 50 or so, he is free to accept a senior post in the private sector and effectively to draw two salaries.

The Tata group has its own thermal power station run by the Tata Electric Company at Trombay (above). It provides an early example of how private sector companies try to compensate for power shortages.

Mr. S. R. Jain sets out to meet production targets in Coal India's 864 collieries

New challenge for public sector high flyer

MR S. R. JAIN, it seems, is a methodical man. On the afternoon of November 25, three days after first walking into his modest Calcutta office as chairman of India's biggest public sector employer, Coal India, he is reading his way into the job through a pile of ageing files on his desk.

He had only a few weeks to prepare for the move to Calcutta—"I hardly had time to think about it."

A call he has placed to a friend comes through and Mr Jain tells him about the transfer. His friends could be forgiven for not knowing. At 49, he has recently acquired one of the brightest profiles in public sector management in India.

Mr Jain comes to Coal India, the equivalent of Britain's National Coal Board, after spending his entire working life in the public sector. He graduated with a master's degree in mechanical engineering in his home state of Madhya Pradesh in 1956, and immediately began work as a junior engineer at one of the country's first big steel plants, Bilhai. By 1975, then 41, he was managing director.

Improvement

In 1980 he was moved to the moribund Heavy Engineering Corporation (HEC) in what some observers saw as a demotion by the previous government, whose industrial policies he is believed to have opposed. He confounded any critics, however, as HEC's performance improved markedly during his two-year tenure.

Whether or not this performance owes more to increased spending on industrial infrastructure by Mrs Gandhi's Government is of little consequence now, as the glitter has rubbed off on to him.

Coal India, though, is an entirely different proposition. Created in 1975 as the holding company when India nationalised the collieries, it has since been plagued by internal politicking, beaurocratic interference, corruption and daunting problems of reform. The centralisation of decision-making and stagnating coal production which has produced such serious losses (Rs2.4bn in 1977-78) at Coal India that a Commission of Enquiry, appointed by the Government in 1980, recommended closing it down. The government rejected the advice.

Today, the balance sheet has improved somewhat, to losses of Rs333.4m in 1980-81. A small profit is expected this year.

These gains, however, are due almost entirely to increase in the price of coal and there is little indication so far that Coal India's internal problems have gone away. Indeed, "king-makers" within Coal India, who have some political influence in New Delhi, are rumoured to have engineered Mr Jain's appointment.

Mr S. R. Jain: "I believe in the public sector"

Dealing with beaurocrats in New Delhi will be no less difficult. At least three ministries (Finance, Energy and Labour) have considerable say in aspects of Coal India policy.

But Mr Jain may just be able to bring about a sense of purpose to the corporation with its 600,000 workers, 864 collieries and four mining subsidiaries. He is not a politician — he is a believer: "I have a big challenge here," he admits, but adds: "I believe in the public sector — my objective has always been to contribute something to the public sector. I believe that if we can get something worthwhile done, then if is for the people of India."

More intrigue

With the possibility of success breeding even more intrigue at Coal India and in New Delhi, he will set himself up as an example.

"I believe in straightforwardness and firmness. I always listen to the other man's point of view, but the buck stops here. I'm quite confident that we will be a good team. That is my style of management . . . people have usually performed for me."

That "style" has been acquired by a type of "osmosis" — he was good at mathematics at school and it seemed perfectly natural at the time to go into engineering which, he says, is now "just background." You've got to know your machines," he says, "but managing people becomes bigger than engineering."

Russian stake

He speaks Russian, the result of a six-month stint at a steel plant in the Ukraine in 1960—his longest stay abroad, although he did spend two weeks on a management course in Oxford in 1974.

The Russians built the Bilhai steel plant—"I found them quite helpful" he says of the Soviet engineers he first worked with. "One thing I discovered was that they work hard."

The Russians, with easily the biggest foreign stake in India's coal production and modernisation plans, may take some comfort in the fact that Mr Jain will be at Coal India for at least two years. By then, the Government wants coal production to rise to 165m tonnes from 125m tonnes last year.

Mr Jain takes no comfort though in the having the nation's financial resources to help reach that ambitious target. "It's not as if you can have money whenever you want. Public sector managers have the same challenges to face as those in the private sector," he says.

Peter Bruce

Management viewpoint: Keshub Mahindra's comments are representative of many businessmen in the private sector

Seeking a closer link between Government and business

"WHENEVER I felt Government was doing something wrong, I've said so publicly. If people don't speak out when they believe the Government is wrong, democracy suffers. And I don't think the Government resents such criticism — although other people seem to," comments Keshub Mahindra, chairman of the Bombay-based private sector automotive company, Mahindra and Mahindra.

Mr Mahindra's father and uncle started the company in 1945. They had planned to start the business in Lahore, but the build-up of unrest in India, two years before Independence, led them to abandon that idea, and move to Bombay.

After his schooling at St Xavier's College, Calcutta, Keshub Mahindra made a half-hearted attempt at farming in the Punjab. Then in 1942, he went to the U.S. where he studied Economics at the University of Pennsylvania, and spent a few years working.

When he returned to partitioned India after independence, he joined his father's company.

At 58, Mr Mahindra has earned the reputation of being outspoken and independently-minded. Some businessmen in Bombay argue that anyone who is as "up-front" as Mr Mahindra, can never reach the very top of the business world.

He admits that in India, keeping politics outside business is not an easy task. But, he adds, "if you honestly pursue those (honest) standards and values, in the long run you are respected for it."

Mahindra and Mahindra is the country's sole Jeep manufacturer, with 30 per cent of the light commercial vehicle market and 16 per cent of the tractor market.

Product range

The well-diversified group also manufactures steel products, electronic instruments and machine tools and is expected soon to link up with Indian Aluminium, the country's largest aluminium producer.

The new company will rank among the top five of Indian private sector corporations with annual sales of Rs 5bn ($520m).

Under the umbrella of Mahindra and Mahindra Keshub Mahindra also controls a host of other companies.

"I would like to see a much closer relationship between Government and business," he says. "And I am convinced that will only come about if there is more freedom for business — like there is in Japan —but I think that is a long way off."

He points out that the Government's attitude towards business is very different from what it was ten years ago, with the Government adopting what he calls "a more rational approach" to the problems facing the business community.

"Still," he adds, "I hope that, apart from some key areas such as oil, the Government will consider freeing the whole economy, and letting it become truly competitive."

His views are representative of many businessmen in the private sector who are frusterated by Government controls. But Mr Mahindra is more outspoken than most. He believes that "too much protection stifles innovation. One of the brightest features of competition is the advantage to the consumer."

With equal conviction he argues that the Government should look seriously at the scope for liberalisation in the public sector.

Mr Mahindra adds: "We need foreign investment and we should get it in certain areas without bothering about majority-minority control. We should concentrate on bringing money into the country. Britain is the largest investor in India, but he describes this as an "accident of history."

While conceding that Britain had its own problems after 1947, he says that the UK "just let its tremendous hold on the Indian market slide, leaving the door open for the Germans, the Americans and the Japanese." He admits that India's control system scares away foreign investors, but he insists it is possible to get things done.

'Important'

Mr Mahindra regards the increasing liberal attitude among Government officials towards economic policy, as very important, but he is uncertain whether the Government will ease its hold on the economy any further.

As far as his companies are concerned, he describes himself as "not really an ambitious person."

This, being India, businessmen could point out that Keshub Mahindra is an only child, with three daughters and no sons—so why should he be ambitious?

Mr Mahindra himself insists that "business is not all. If my only motivation in life was running a business, then I would think very poorly of myself."

D. T.

The world of Marwaris, Chettiars and other communities

Caste influence can still be felt within the business community

INDIA'S PERVASIVE caste system is not generally regarded as touching the lives either of its own progressive business community or that of the foreign businessmen with whom they deal.

In a sense this is true. Material progress has proved an important leveller and the significance of caste, religion, regional affiliation and tradition is now less important than it was, say, 50 years ago. Jet-setting has certainly done a lot to undermine the caste system at one level.

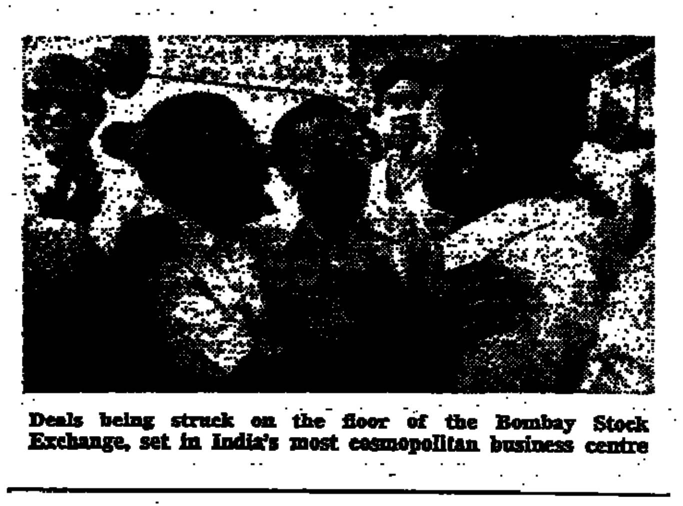
Indian businessmen are also, like businessmen everywhere, primarily interested in doing business and how they do that tends to be influenced in large part by conventional business considerations and not by their background.

But caste does play a role not, as Mr A. M. Arunachalam the patriarchal chairman of Tube Investments of India pointed out, "as great as before" but sufficiently for it to make a difference to their methods.

300 dialects

The Indian mosaic comprises 14 official languages, up to 300 dialects, hundreds, possibly thousands of castes and sub-castes in addition to distinctive regional and religious groupings.

Within this complex and frequently overlapping system of hierarchy and communal division there exist a number of groups who have traditionally been traders, merchants or bankers and whose distinctive background has given them a strong sense of identity and fellowship.



Deals being struck on the floor of the Bombay Stock Exchange, set in India's most cosmopolitan business centre

Mr Arunachalam belongs to a group called the Chettiars which is based in south India and comprises about 35,000 families. His own family, he proudly says, goes back more than 400 years and were originally based overseas as traders or bankers in the villages of Ceylon and Malaya.

A corresponding group which comes from the northern state of Rajasthan and whose influence is far greater, are the Marwaris. They are now estimated to control half of India's industrial wealth, a quarter of the country's top 100 companies and a major portion of such key export commodities as jute, tea and textiles.

They count among their number such distinguished families as the Birla group and the Goenkas, owners of the Indian Express group of papers.

The Marwaris, like the Chettiars are a closely knit community, although their flair and sheer drive has got them further, faster.

A more conservative grouping which, again, is closely knit is the Parsi community. At their head is the awesome might of the Tata Family and its business empire, the biggest in India.

Most, if not all, these groupings, apart from having certain characteristics and traditions which colour the internal workings of their businesses, do a great deal of charitable work for the less well-off members of their own community. This is especially true of the Parsis who have the additional incentive of trying to preserve their eclectic religion, imported from Persia centuries ago and now in danger of dying out.

Hard-working

One could look around India and identify other groupings with distinctive characteristics. Punjabis, for example, from the granary state in northern India divided at the time of partition. They are generally regarded as being very hard-working, cautious and tend to invest in smaller-scale industries.

The Bengalis of West Bengal or the Gujaratis, from the newly-industrialised state of Gujarat, adjoining Bombay and Maharashtra, can equally be identified to the practised eye.

What practical differences these groupings make to doing business in India is open to question and will vary, depending on what group one is dealing with. Some groups, such as the Marwaris, tend to prefer to deal with their own number and try, as far as possible, to keep things in the family. Others are less concerned.

As Mr Arunachalam says, however: "These communities still play an important role and it is better for a foreign businessman to understand these differences."

Alain Cass and John Elliott

Year-old Bombay textile strike highlights political backcloth to labour strife

A FOREIGN investor considering setting up a plant in India might, if he were to look at the figures in stark isolation, be put off by the country's industrial relations record.

The past three years certainly make depressing reading and 1982 could be one of the worst ever. Workdays lost due to strikes and other forms of stoppages have been climbing steadily from 22m in 1980, to 32.7m in 1981 and, last year, were set to excee' the 1979 worst-ever total of ..3.8m.

The 1982 figures will be swollen by the strike in Bombay of the city's 250,000 textile workers, the longest ever in India (it is now a year old) and perhaps the longest of its kind anywhere in the world.

The Bombay textile strike is all the more worrying for two reasons. The first is because it is situated in India's industrial heartland. The second is because it is led by a maverick trade union leader who operates outside the legal framework of Indian trade union structure and his success in keeping the workers united for so long is a major blow to the country's recognised movement.

Repeated predictions that Dr Data Samant, the strike leader, would lose the support of the workers he enticed away from India's biggest trade union, the Indian National Trade Union Congress (INTUC), or that the Government would step in and break his hold or that the official unions would somehow out-manoeuvre him, have proved to be wishful thinking.

Support for the strike seems solid enough — the Government shows no inclination to step in while the INTUC and other officially recognised unions—including the Communist ones—have so far made little dent in Dr Samant's hold over one of India's key bodies of workers.

The strike itself has now acquired a momentum of its own, with most parties taking inflexible positions. The likelihood of more than a quarter of the 60 textile mills never re-opening is now high — a factor which, perversely, has strengthened the Government's resolve not to step in.

India's textile industry is outdated, Bombay has too many factories anyway, and therefore a stoppage might ultimately lead to a welcome restructuring which would also relieve some of the pressure on Bombay.

Perhaps the most important reason why both the State Government of Mahrashtra and the Central Government are treading with care over the Bombay strike is that union activity and politics in India are virtually indivisible and the eventual outcome of this dispute could have an important impact on the ability of Indian political parties to manipulate the trade union movement.

Patronage

Bombay's industrial scene is crucial. For, apart from being the biggest industrial centre, it is also a major source of funds for the political parties through their affiliated unions and therefore of political patronage and power.

All of India's unions — with virtually no exception—are affiliated to, depend on and, in turn, support, their political masters. The INTUC is, in effect, the industrial arm of the ruling Congress (I).

The Centre of Indian Trade Unions (CITU), the arm of the increasingly powerful Communist Party of India (Marxist), the All-India Trade Union Congress (AITUC) linked to the pro-Moscow Communist Party of India (CPI) and so on.

Curiously in those states, notably West Bengal and Kerala, where the CPIM has either held power or is a major influence, labour unrest is less of a problem, since the Communist-dominated unions have a vested interest in supporting their political partners.

Out of a total population of around 700m and an estimated working population of around 260m, the total employed in the organised sector is no more than 22m. Of these, over 15m are in the public sector and the rest in the private.

The strong political element in Indian trade unionism tends to distort the real condition of industrial relations since, almost inevitably, strikes quickly become political. Parties use unions for their own ends and individual disputes to make specific points. This is something which, paradoxically, can work to the advantage of the foreign investor.

Profitable

Indian Government officials monitoring the union scene across the nation have noted that, while companies with foreign participation do have their fair share of labour problems, disputes tend to be less frequent and, when they do occur, tend to be shorter.

The reasons they give for this are that, firstly, companies with a foreign stake tend to be profitable and can therefore afford to settle high wage demands more easily.

Secondly, they say that foreign managed companies are more sophisticated in their approach towards dealing with unions and, finally, that foreign companies are less susceptible to internal political pressure.

Some foreign companies have been able to set up shop with non-union labour but this is rare. A determined, lively — occasionally volatile — and, above all else, highly politicised labour movement remains one of the major preoccupations which industry must take into account. However, this is not and does not appear likely to become a serious obstacle to a company which has the determination, resources and skill to cope with it.

Alain Cass

A mixture of economic problems and continuing bureaucratic controls has hampered private sector expansion this year, says John Elliott

Growth hit by slow response to government initiatives

"PEOPLE HAVE not taken enough note of the measures that are now available. They want to be employed not to work for themselves. They want the Government to do everything for them."

These remarks, made a couple of months ago by Mr Rajiv Gandhi, son of the Indian Prime Minister, when he was in London for the finale of the Festival of India, sum up some of the frustration felt by the Government about the slow response of the private sector in the past couple of years to the new industrial liberalisations.

The remarks might have equally well have been made by national leaders of many other countries. But they are specially pertinent about India where the Government is expecting the private sector to emerge suddenly from years of restrictions and protectionist policies into a new entrepreneurial era.

As happens elsewhere in the world — not least in the UK — senior civil servants can be heard complaining that the private sector is spending more time looking for alibis than planning for success. And organisations representing the private sector complain that the Government is not providing enough support and is introducing contradictory and demotivating policies.

Bureaucracy

Both have a point. Indian management and small sector businesses are not responding as fast as had been hoped. But they still suffer from a heavy-handed bureacracy and they have also been hit by the impact of credit restrictions (now being relaxed), a flood of imports in certain key areas, and strong foreign competition from countries forced by recession to seek new markets.

Some Indian companies, especially in the engineering industry, talk about being in a recession. But they hastily qualify that when speaking to a European by adding: "Not like yours of course—we still have substantial growth. But our problem is that the growth is far slower than was planned."

The problem is illustrated by statistics produced last month by the Association of Indian Engineering Industry covering about 83 per cent of engineering companies. These show that the growth rate for the period April-August last year over the same period in 1981 was only 1.7 per cent compared with 10.2 per cent for the April-August period in 1981 over 1980.

Transport equipment performed worst, down from a growth of 34.7 per cent in the 1980-81 period to a minus figure of 6 per cent for 1981-82. This was partly caused by credit restrictions curbing private sector purchasing and partly by a lack of investment funds in public sector undertakings. The Government, however, also insists that improved efficiency of freight services on the publicly-owned railways stole business from road haulage, so cutting orders for new vehicles.

Alloys

A growth of 6.5 per cent in metal products and parts for the 1980-81 period fell to minus 0.2 per cent, while growth figures for the basic metal and alloy industries fell less sharply from 7.7 per cent to 6.6 per cent, for electrical machinery and appliances from 2.5 to 1.8 per cent, and for other machinery including machine tools, from 6.8 to 5.1 per cent.

In other industries, a flood of cheap imports has hit certain areas, especially polyster, pvc, and chemicals such as soda ash.

Yet there is considerable confidence of improvement this year when current increased investment produces results. "I am enthusiastic that we may see results in two to three months time — till then I'd rather wait and see. If the weather gods are kind to us, then things will improve," says Mr B. P. Gunaji, secretary of the Bombay Chamber of Commerce and Industry, referring to the need for the winter harvest to make up for some of the losses of the poor monsoon.

"We have unfortunately opened up our imports at a bad time just as the rest of the world is slipping into recession. So people are dumping goods like aluminium, soda ash and staple fibre and our industry is not operating at 90 per cent efficiency but at 40 per cent," says Mr Aditya Birla, one of the younger top executives of the giant Birla family group which, along with other major concerns like Tata, straddle India's private sector.

About 70 per cent of the 7m people employed in manufacturing are in the private sector which also accounts for about 29 per cent of the manufacturing fixed capital (according to 1977-78 statistics), 70 per cent of gross output, and 68 per cent of value added.

The sector is dominated by companies like Tata, Birla, Mahindra and Mahindra, and Delhi Cloth Mills whose real size and influence is larger than it may appear.

They are often organised as loosely linked but firmly controlled family groups in order to escape as much restrictive legislation as possible. The total sales of all Birla companies have been estimated at Rs20bn (£1.25bn) split between three branches of the family.

INDIA'S CORPORATE GIANTS
Figures for 1980-81 in lakhs (100,000s) of rupees

Company	Total Assets (Rs Lakhs	Company	Net Sales (Rs Lakhs
1 Tata Steel	48,673	1 Tata Engineering	53,799
2 Tata Engineering	46,001	2 Tata Steel	43,691
3 Scindia Steam	22,327	3 Hind Lever	39,813
4 Gwalior Rayon	20,313	4 Delhi Cloth Mills	28,025
5 CESC	20,204	5 Gwalior Rayon	24,977
6 Asso Cement	20,172	6 Voltas	22,742
7 Hind Lever	19,886	7 Ashok Leyland	20,671
8 ITC	18,165	8 Reliance Textile	20,626
9 J K Synthetics	17,224	9 Hind Motors	19,482
10 GSFC	16,323	10 Escorts	18,195
11 G E Shipping	16,196	11 Brooke Bond	17,545
12 Delhi Cloth Mills	15,631	12 Mahindra and Mahindra	17,309
13 Ashok Leyland	15,593	13 Dunlop	16,764
14 Reliance Textile	15,333	14 Rallis India	16,700
15 SPIC	14,263	15 Asso Cement	16,262
16 Century Spg	13,610	16 Century Spg	14,621
17 Hindalco	13,199	17 Larsen and Toubro	14,415
18 Larsen and Toubro	13,166	18 Union Carbide	14,225
19 Dunlop	13,040	19 EID Parry	14,070
20 Indian Explosives	12,618	20 ITC	13,411
21 Indal	12,369	21 Tata Oil	13,013
22 Voltas	12,024	22 Siemens	12,553
23 India Steam	11,466	23 Ballarpur Inc.	12,520
24 Tata Power	10,927	24 GKW	12,264
25 Ahmedabad Elect.	10,518	25 CESC	12,262

Source: "Business Standard," Calcutta; special study of India's top 200 companies, April 1982

Some companies, like Tata and DCM are pushing ahead fast into new technologies, especially electronics and the expanding motor industry. Some like Birla (which owns Hindustan Motors) and Walchandnagar (Premier Motors) have companies that have failed to modernise for some years. They are now facing fresh and probably unrelenting competition from Japanese companies which appear to be making the automotive industry the starting point for a more general move into India manufacturing industry. On the other hand Mr Aditya Birla, who operates as part of the biggest of the three family subgroups, estimates he is personally responsible for capital investments costing Rs 1200m (£75m) in chemical, cement and other plant between 1981 and 1983.

How well the Japanese will fit into the Indian industry has yet to be seen. Senior Indian executives who have been negotiating technical collaboration deals—and some times equity investments — with Japanese executives in electronics and fertiliser businesses as well as in the automotive area can already be heard complaining that they find them difficult to deal with. "We can't understand them like we understand the British," they say, adding that they regret the relative decline in UK involvement in new Indian investments.

UK technology

"It is a pity that UK technology has not kept up in the last five to 10 years and that we have consequently had to go and look elsewhere, says Mr A. M. M. Arunachalam, chairman of Tube Investments of India (TIAM), part of the AMM family of companies in Madras.

While the UK has been less active, Germany has been increasing its strong foothold and the U.S. and France have also been moving into various sectors of industry.

These foreign influences will have an impact on the management style and efficiency of significant areas of the private sector, maybe changing some of the lethargic and procrastinating habits of Indian management of which some foreign investors complain.

But the new arrivals will still have to cope with the crippling impact of electric power shortages. Companies in some cities like Bangalore rotate their "Sunday shutdowns" throughout the week to spread demand for electricity. In many areas production is cut by 33 to 50 per cent and sudden power failures ruin machine tools and other equipment.

They will also have to cope with India's bureacracy which, is still dominant, despite all moves towards liberalisations, and with politically-oriented labour problems. They will also have to face up to the ethos of a country which primarily seems to see industry as a generator of employment rather than of profits.

As Mr Ken Wells, who is in Madras on a three-year tour of duty from the UK as managing director of Lucas-TVS says: "If you are well managed you can make profits here. But to be really profitable you need to grow. There is potential growth in this country, but the controls hit that and curb what you can do."

Eight years after India introduced foreign ownership rules . . .

Overseas companies adapt to FERA

FOREIGN COMPANIES in India have long quaked at the mention of the Foreign Exchange Regulation Act, widely known as FERA.

FERA came into effect in 1974, with the intention of minimising foreign exchange remittances outside the country, and redirecting the activities of companies with a majority foreign shareholding into the high priority, "core-sector" areas.

Under FERA, all foreign companies were directed to reduce their equity holdings in their Indian subsidiaries to 40 per cent—unless they could prove that they were manufacturing in high technology sectors, or were export-oriented, or that they combined high technology with exports in acceptable proportions. The core-sector areas were defined by Appendix One of the Government's industrial policy.

There were many rough battles between foreign companies and the Indian Government, as it became increasingly clear that the FERA guidelines included substantial grey areas where clear-cut decisions were difficult. There were many mutterings, as companies either diluted their foreign holdings amidst protest or left the country altogether.

Now, eight years later and in the wake of the Indian Government's change of direction towards increased liberalisation of the economy, the picture has changed. A few years ago the ideal foreign majority shareholding was being thought of as not less than "that magic 51 per cent." While the virtue of remaining at 51 per cent is still a contentious issue, many companies say they are happy to dilute, and some even regard it as a godsend.

Once a company has reduced its foreign stake to 40 per cent or less, it qualifies as an "Indian" company and that releases it from the close Government scrutiny which it received as a FERA company. Some companies have done this by issuing new shares in India, so diluting the foreign shareholding.

Despite constraints under the Monopoly and Restrictive Trade Practices (MRTP) Act, and the difficulties in obtaining industrial licences in India, businessmen say that once the shackles of FERA are thrown off, business in India becomes far easier. Furthermore, they admit that even after dilution a foreign company can retain effective control over its Indian subsidiary.

For the Indian Government, the lessons of FERA may be painful. Senior executives in the private sector say that the Act has been counter-productive, and they claim that even top Government officials will privately admit this.

Mr Gurchuran Das, managing director of Richardson-Hundustan, in which, Richardson-Vicks of the U.S. still has 55 per cent equity, says: "The Government has made a political commitment to the electorate. But the energy of companies, as well as Government, has been wasted on this nonsense of FERA which hasn't saved anything in remittances."

In some cases remittances abroad to original owners have increased.

A senior executive in a quasi-governmental organisation comments that FERA was implemented because the Government felt it had to show publicly that it was divesting multi-nationals of foreign control.

Even those senior executives in the private sector who argue that there is some virtue in using the Act to put pressure on foreign companies to invest in key sectors of the economy, say that FERA has been "turned unnecessarily into a whipping stick by the bureaucrats."

Whether the Government will allow companies to re-apply to go back above 40 per cent, if they can prove high technology or meet certain export obligations, is still an open question. The BOC group in the UK (until recently, British Oxygen) is one company, for example, that does not rule out such an application for their stake in their Indian subsidiary, Indian Oxygen, "if the circumstances were to change in the future."

For the moment the issue of FERA has become so politically sensitive that few companies which are in the process of dilution seek publicity.

There are many who believe that having at least 51 per cent is crucial to independence. Others concede that it is "a very emotional thing to give up ownership of majority foreign shareholding."

Still more are of the opinion that it makes no difference and, having come down to 40 per cent are more than glad to have left FERA behind them so they can settle down to their real purpose—that of doing business in India.

Dina Thomson

PROFILE: HINDUSTHAN-LEVER

'A change of character'

HINDUSTHAN-LEVER is "an excellent example of how the Foreign Exchange Regulations Act (FERA) can change the character of a company in a way which is good for the country," says the managing director of a large private sector company.

In May, 1982, the Government of India allowed Hindusthan-Lever, a subsidiary of Unilever of Europe and the third largest private sector company in India, in terms of sales, to retain a 51 per cent foreign equity shareholding.

In 1979, the Reserve Bank of India, which is responsible for administering FERA, asked Unilever to reduce its stake in Hindusthan-Lever from 66 per cent to 40 per cent. Hindusthan-Lever appealed, saying it was in the process of changing its product range and stepping up exports and research and development.

In order to stay at 51 per cent foreign equity, the company had to demonstrate that 60 per cent or more of its turnover was in core sector industries (as defined by Appendix One of the Government's industrial policy), in sophisticated technology, and in exports.

A further condition stipulated that after one year of retaining 51 per cent foreign equity, exports had to amount to at least 10 per cent of turnover.

A spokesman for Hindusthan-Lever comments that "people say we managed to win the battle. But all we did was to comply with the FERA regulations."

Officials in the company admit, however, that that is no easy task. Hindusthan-Lever manufactures soap, detergents, chemicals, animal feeds, edible fats, diary products and toiletries.

The company undertook major expansions in the field of chemicals and fertilisers—both covered in Appendix One. In 1979, it commissioned a Rs 220m ($27m) industrial phosphate plant in West Bengal.

Hindusthan-Lever was also able to convince the Government that it was using sophisticated technology in the upgrading of raw materials for the manufacture of soap. Such technology is used in the extraction of oil from the seeds of the Sal tree, for example, and the process also provides valuable employment for the tribal people of Orissa and Madhya Pradesh.

Export drive

Senior officials in other private sector companies point out with a certain amount of envy that Hindusthan-Lever's amazingly successful export drive played a major part in obtaining the right to remain at 51 per cent. The chairman of Hindusthan-Lever, Dr A. S. Ganguly, admits that raising exports at a time when international markets are receding, is extremely difficult.

Officials in Hindusthan-Lever point out that Unilever's name has been a major factor contributing to the company's ability to meet its 10 per cent export obligation.

Today, over 60 per cent of Hindusthan-Lever's investment in fixed assets is in the core sector, and the company has the largest research centre in the private sector.

A senior official in Hindusthan-Lever believes that Unilever's decision to hold on to 51 per cent was basically an emotional one, linked to its long association with India.

"If we had come down to 40 per cent," he says, "we need not have bothered with *these difficult* export targets."

Mr Ganguly believes that "it is better for the country for a foreign company to have equity participation, rather than a one-time sale of technology, because then you are forced to keep pace with changes in the market and around the world—if you have to export you have to compete."

D. T.

PROFILE: GLAXO LABORATORIES

'No choice but to dilute'

GLAXO LABORATORIES (India) is a leading pharmaceutical company with a 75 per cent foreign (UK) shareholding. In 1979-80, Glaxo ranked second among the top 15 pharmaceutical companies in India, in terms of drug sales. The Reserve Bank has recently issued a directive requiring Glaxo to bring down its foreign equity to 40 per cent by March 1983.

According to the Foreign Exchange Regulation Act (FERA) at least 75 per cent of a drug company's activity must be in areas listed in Appendix One of the Government's industrial policy, in order for a company to retain foreign equity of 74 per cent. Even if Glaxo had been regarded as an Appendix One company, therefore, it would have had to dilute its foreign equity by 1 per cent.

On top of the FERA regulations, the Government's drug policy of March, 1978, stipulates that the manufacture of formulations by a company must be no more than five times its basic manufacture of bulk drugs. This 1:5 ratio is designed to link any increase in the manufacture of formulations to basic expansion.

The Government also decides which manufacturing processes require high technology. The use of high technology and the 1:5 ratio both apply to the 75 per cent of activity that must be in the Appendix One area of activity. In the Government's eyes, Glaxo does not meet these requirements.

In December 1981, the Reserve Bank issued a series of directives to 19 other drug companies, asking them to dilute their foreign shareholdings. Only three companies were allowed to retain foreign equity at 74 per cent.

They were regarded as being heavily involved in high technology activities—one of them, Wyeth Laboratories (U.S.) for example, makes steroids in bulk from a root found in the Himalayas.

Any drug company wishing to retain more than 40 per cent foreign equity must, under FERA, show that its use of high technology and its exports account for more than 60 per cent of its turnover. A few, such as Ciba-Geigy (Switzerland) and Pfizer (U.S.) are to retain 51 per cent foreign equity, but have to meet an export obligation of 10 per cent of turnover.

A senior official in a private sector drug company suggests that Glaxo could have retained 51 per cent foreign equity if it had agreed to meet the 10 per cent export obligation.

But he says that "even assuming they could meet such an obligation, they may not necessarily want to — the domestic market may well not be healthy enough to pour resources into exports."

The issue of the health of the domestic market for pharmaceutical companies in India has, along with the FERA directives, spawned a bitter debate between the drug industry and the Government.

The drug industry argues that the Government's pricing policies, and its ban on the use of brand names, does not allow the industry sufficient profit margins to make their high technology operations profitable.

They claim that the Government is trying to protect Indian drug concerns, some of which are in the public sector, when these concerns have proved incapable of meeting the demand for drugs in the country.

Top officials in FERA drug companies now comment privately that they believe the Government is softening on various aspects of its drug policy. Any relaxation in the drug policy could affect FERA decisions as well.

Meanwhile, companies such as Glaxo have no choice but to dilute. As the managing director of one drug company that has had to come down to 40 per cent put it: "It is very difficult to contest Government findings on whether or not high technology is required in the manufacture of a drug.

"If the Government decides it isn't, then the argument stops there."

D. T.

Key manufacturing sectors listed in Appendix One

APPENDIX ONE was drawn up by the Indian Government in February 1973 and was revised in April last year. It lists industries open to companies which are more than 40 per cent foreign-owned (FERA) and which are large monopoly houses (MRTP). In other industries these companies have to meet special export targets.

The list is available from branches of the Indian Investment Centre. It includes about 65 items in 24 sectors ranging from mechanised sailing vessels, tractors, and passenger cars, to float glass, ceramic fibres, web-offset printing machinery and rubberised conveyor belts.

The 24 sectors are: metallurgical industries, boilers and steam generating plants, prime movers other than electrical generators, electrical equipment, transportation, industrial machinery including specialisd equipment, machine tools including controls and accessories, agricultural machinery, earth moving machinery, industrial instruments, scientific and electro-medical instruments and laboratory equipment.

Other sectors include nitrogenous and phosphatic fertilisers, chemicals other than fertilisers, drugs and pharmaceuticals, paper, rubber products, plate glass, ceramics, cement products, high technology reproduction and multiplication equipment, carbon and carbon products, pre-tensioned high pressure concrete pipes, printing machinery, rubber machinery.

JOHN ELLIOTT

The recovery of the public sector depends almost entirely on oil earnings.

Growth despite continuing inefficiencies

IN 1942, West Bengal, then the industrial heart of India, was struck by a severe drought. The British administration thought about building a fertiliser plant in the region to mitigate the effects of another monsoon failure.

But the war, it appears, distracted them and nothing came of it. The nationalists, who won independence for India five years later, had not forgotten, however, and in 1949 the Sindri fertiliser plant was built. India's public sector had become a reality.

The Government has since invested nearly Rs 240bn (£16bn) in public sector companies (excluding banks), ranging from profitable giants such as the Oil and Natural Gas Commission to the Artificial Limbs Manufacturing Corporation of India which never makes money. Over the past five years, public sector investment has grown by Rs 2,000 crores (£1.3bn) a year.

By 1951, government investment in industry and commerce totalled just Rs 39 crores. Major investment began then, largely due to a lack of confidence in the private sector's ability, or willingness, to invest money in new industries, with a series of five-year development plans.

By the end of March last year, the public sector consisted of 20 nationalised banks, 208 other enterprises (55 per cent of which are in manufacturing), including seven insurance companies which formed the backbone of the public sector in the mid fifties.

Recently, the pace of investment has quickened markedly. By March, 1978, investments in equity and long-term loans stood at Rs 13,389 crores and has nearly doubled since, according to the Bureau of Public Enterprises, which annually publishes a massive, three volume analysis on the public sector.

This growth has attracted equally impressive problems, however. The Government has nationalised about 48 companies, mostly in engineering and textiles to prevent them going out of business. These "sick" industries have continued to lose money heavily, despite injections of new capital. Along with other ambitious but loss-making enterprises launched by the Government, they have depressed the public sector financially for years.

Aggregate net losses in the public sector rose, for instance, from Rs 40 crores in 1978-79 to Rs 182 crores in 1980-81. There has been some aggregate improvement and the sector, as a whole, was in profit for the first half of last year by Rs 48 crores, and has improved on that for the half year which ended last September, with net profits of Rs 72 crores.

Oil earnings

But the recovery rests almost entirely on oil earnings, including the Oil and Natural Gas Commission, where profits moved from Rs 29.57 crores in the first half of 1980-81, to Rs 174.34 crores in the first half of last year.

The Indian Petro-chemicals Corporation, the Indian Oil Corporation, Bharat Petroleum, Hindustan Petroleum were all among the 10 most profitable operations in the public sector last year.

Indian officials know, however, that they cannot afford to be complacent about these gains. The 79 companies which collectively lost around Rs 345 crores in the first half of last year, have been joined by seven more and their losses in the first half of this year total an estimated Rs 678 crores. The return on capital employed throughout the state sector (excluding banks, which are not handled by the Bureau of Public Enterprises), hovers around only 7.8 per cent.

Faced with these underlying trends, the Government, signalling an intention to move away from the pattern, established in the late sixties, of rescuing companies, either through direct nationalisation or encouraging state-owned institutions to offer financial support.

Financially, these attempts have been largely unsuccessful. For example, Jessop and Company, West Bengal-based engineering group taken over as a sick industry by the Government in 1973 made a net loss of Rs 116.9m in 1980-81, a marked deterioration from losses of Rs 93m in 1979-80 and Rs 90m in 1978-79. There are about 45 nationalised companies in the public sector and, but for a handful of oil companies, none of them is healthy.

"We have been hanging on to those units which are not even viable," said Mr S. M. Patankar, a senior financial adviser at the Bureau of Public Enterprises. Most observers agree that it would be politically impossible for the Government to denationalise these loss-makers but it is clear that Ministers have decided to try to slow down the commitment to sick industry.

Under legislation passed last year, the Government, which usually takes over the management of ailing companies for about five years before nationalising them, made clear it would no longer assume management unless it was committed to nationalisation.

The Government which is currently managing around 120 of India's 24,000 sick companies, has also begun to offer profitable private sector companies considerable tax benefits to take the ailing units over. It has shed its potential responsibility for 24 companies in this way so far and another 14 mergers are close to completion.

But the problem of sick industries (roughly defined by the Reserve Bank as units with losses in their current year, the previous year, and forecast losses for the following year) is not likely to go away.

Despite pressure from the Government on financial institutions to stop financing companies that are beyond recovery, pressing new difficulties continue to arise. A year-long strike, for instance, has seriously weakened a number of textile mills around Bombay. Mr Patankar believes that the Government will have great difficulty in resisting pressure to take over some mills.

Vacant jobs

"At least nine or 10 mills may not be able to withstand the strike," he believes.

The Government blames management for a lot of the private sectors' problems but it has similar management worries in the public sector. Experienced managers are hard to find, and at least 20 nationalised companies are currently operating without chief executives or managing directors. In total, about 100 managerial positions are vacant throughout the sector.

One reason is low pay, but a more deep-rooted cause lies in the inevitable exposure of public sector chief executives to political and bureaucratic pressures. The Steel Authority of India has had six chairmen in 10 years.

Managerial turnover has sharply increased over the past four years. When the Janata Government came to power in 1977 its reviewed the appointments of all public sector chief executives in an attempt to weed out those who had been given jobs as political rewards. At least five chairmen gave up their posts as a result.

After Mrs Gandhi came back into office in 1980 there were more changes.

India's public sector cannot, however, be fully understood without an appreciation of the dual role it imposes on chief executives. They are there primarily, officials insist, to make money; but it is also apparent that the ideology which gave breath to the public sector—to create jobs—is often paramount.

Social responsibility is not necessarily a concept with which red-blooded capitalists of the West would feel particularly comfortable. To some Indian public sector chairmen, however, it is an article of faith. Maj Gen S. N. Bhaskar, chairman and managing director of Bharat Earth Movers in Bangalore, which has been in profit since its incorporation in 1964, regards himself as a worker—"the workers do consider me as one of them," he says. "I eat with them, I drink with them, I talk more to them than I do to my officers around the company."

Would he consider lay-offs as a means of dealing with a rundown in business? "No, I would not sack anybody. I would cut down on expenditure. I would have to drastically reduce privileges for officers. I might have to cut wages," he says.

Mr B. K. Kapur, chairman and managing director of Hindustan Aeronautics, has similar principles. While his Bangalore factory begins to deliver the first Anglo-French Jaguars to the Indian Air Force, the company is devoting considerable research and development resources on a sugar cane drying process that rural communities could use to produce raw material for paper mills.

Hindustan Aeronautics also deliberately built an engine plant in "jungle" in Orissa in the late sixties, in order to create jobs in the area, according to Mr Kapur. The plant took an extra two years to make money because investment in opening up the area had been so heavy. The "social costs," however, had been written into the project price.

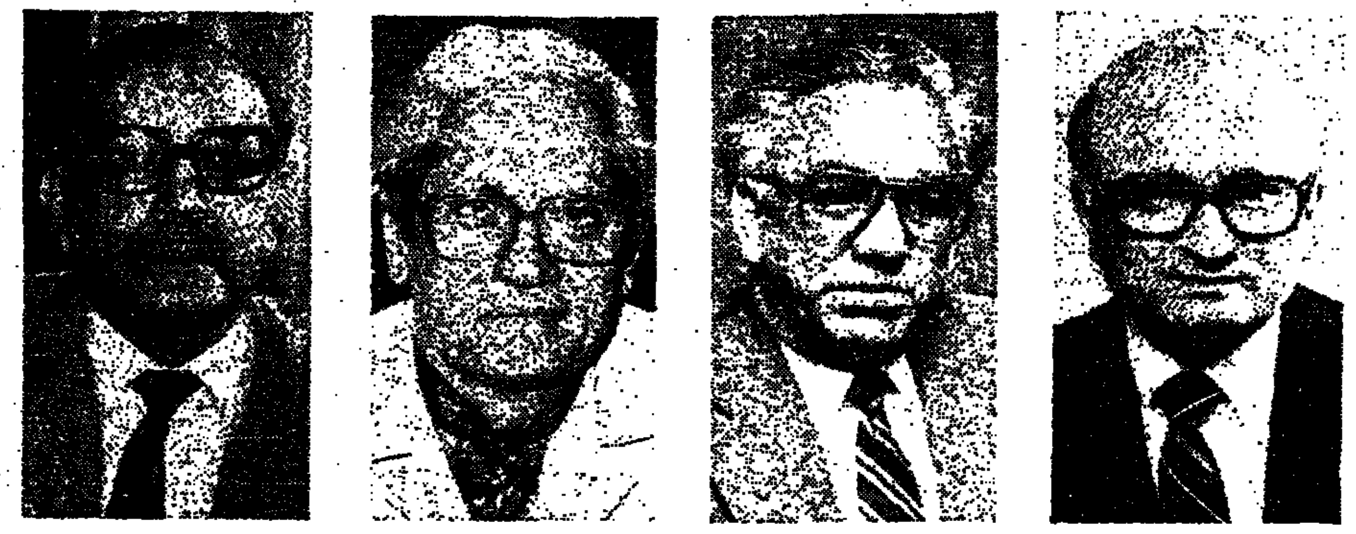
The public sector is not run on missionary principles, of course—political pressures play a significant role in deciding what is to be done and where. The results are sometimes chaotic. The management of Hindustan Steelworks Construction, created in 1964 to build steelplant, is being tested at the moment by a good example of the way in which public sector business sense, social obligations and political pressures can work against each other.

Having virtually completed work on a steelplant at Bokaro in the state of Bihar, the company tendered for, and won, a major contract on the site of another major steelplant on the coast of Andhra Pradesh, some 650 km away.

The workers at Bokaro have refused to move that far from home, the government of Andhra Pradesh insists that jobs be given to local labour and the Central Government will not allow the company to make the Bokaro workers redundant. HSC then, is currently paying nearly 3,000 idle workers around Bokaro.

More than two years ago, a study revealed that more than 40,000 of the total 1.8m people employed in the public sector were "surplus." Officials today believe that figure has probably grown.

Peter Bruce



Four chairmen and managing directors of India's major public sector industries (left to right): Mr B. K. Kapur of Hindustan Aeronautics, who started his career in the Indian Air Force; Major General S. N. Bhaskar of Bharat Earth Movers, which was set up in 1964 and is run by the Ministry of Defence, Mr V. Krishnamurthy of Maruti Undyog, which is to produce a Suzuki car; and Mr T. V. Mansukhani of Hindustan Machine Tools, which has diversified from its original base.

A case study by Peter Bruce of two sister companies which show all the classic hallmarks of a sick industry

A crisis of viability

NOT MUCH is happening these days at the joint head office of the National Rubber Manufacturers and the Inchek Tyre Company in central Calcutta. Management is spending no money, and commercial credit has all but dried up.

However, that may all change, because the Government is about to decide whether or not to nationalise the two companies. If the Government goes ahead, major capital spending will begin and credit should start to flow.

Management of the two companies which employ 2,300 people was assumed by the Government after a disastrous nine month lock-out brought them both close to collapse in 1977. Since then the companies have been run by a Board of Management.

Now they are moving on to the next stage of being fully taken over by the Government, having temporary Government-management prolonged while their viability is assessed, or of being "denotified" and either handed back to their original owners or liquidated.

The NRM and Inchek story bears all the classic hallmarks of a sick industry. Appropriately, it is based in West Bengal, the heart of India's early engineering industry where industrial decay is at its most rampant.

Plant and equipment is generally obsolete throughout the state. Demand has slowed as manufacturing industry has shifted to other parts of the country. A delay in the implementation of government spending plans in the mid-1960s, plus the emergence of the first Marxist government in the state has also led to a massive flight of capital.

NRM came into existence in 1946 as a manufacturer of bicycle and rickshaw tyres and other rubber goods. Its owners, the brothers Mookerjee, later bought Inchek to make tubes and tyres for the automobile industry.

Both companies were profitable, according to the present management, manufacturing on separate sites around Calcutta, until the early seventies. Then, according to the new management, things began to "get erratic."

By 1974 the pressures being felt all over West Bengal had begun to tell on the family owners and they began to squabble about how the businesses should be run. Appeals to banks for funds succeeded merely in alerting the authorities who ordered an investigation of the companies.

By March 31, 1977, the end of its financial year, Inchek's losses had risen nearly 50 per cent to Rs 88.5m (£5m) over the previous year even though sales had risen dramatically. Clearly, in their desperation, the old management had been selling on any terms. Unsecured credit alone had risen from Rs 7.22m to Rs 20.58m in a year.

Locked out

By the time the directors presented their 1977 annual report to shareholders, the two companies were in the grip of the lockout that ultimately led to Government intervention.

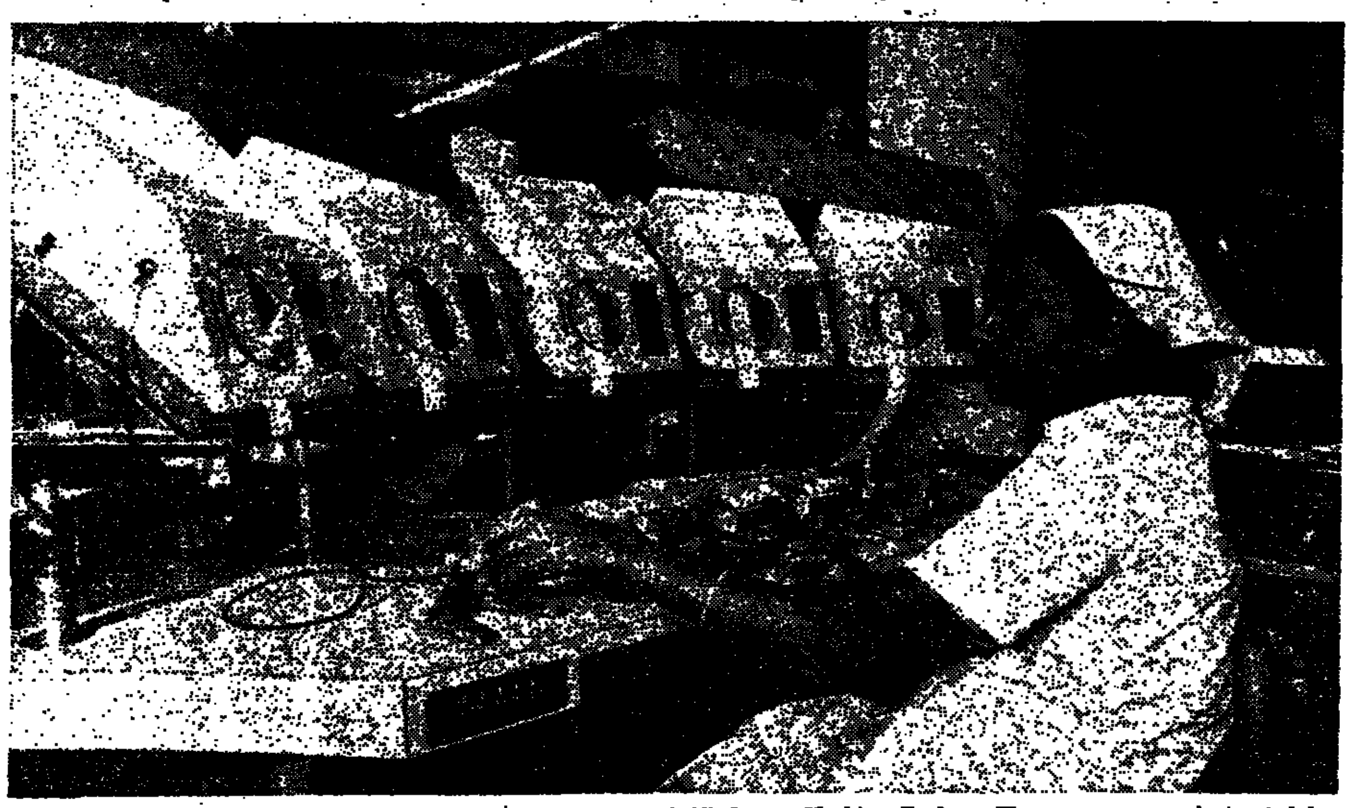
"From the beginning of the current accounting year," the directors complained, "lack of morale and motivation among labour gradually became more pronounced. Disbursement of cheques for capital expenditure against funds already sanctioned . . . were suspended (by the public institutions) . . . losses continued to increase."

Apparently it did not take strenuous representation from the workers locked out, nor from the West Bengal Government and public institutions to get the Government to act.

New Delhi has the power to intervene after a company has not operated for three months. Now it did, thus relieving the board of directors of their responsibilities and replacing them with its own board of management.

If the Government is looking for actual signs of viability at NRM and Inchek — which is a condition for full nationalisation — it will not find them in the balance sheets. Both companies are losing money.

The Government managers do not hide the fact that they have had little chance of affecting the companies' future because they have performed little more than a holding operation for the past five years, and no Government capital has been available.



Watches being tested for accuracy at a Bangalore factory of Hindustan Machine Tools. The company was instructed by the Government to start producing watches in 1961 and now makes 2m a year, including quartz models introduced last year.

A case study by K. K. Sharma of a Government-owned financial institution.

Promoting industrial development

NOW THAT the Industrial Development Bank of India (IDBI) has started raising Eurocurrency loans for selective disbursal among its clients, term-lending for industrialisation in India takes on a new role. This will be limited by governmental controls, as are the other functions of IDBI since it is essentially an arm of the Reserve Bank, but shows how financial institutions are expanded in their operations.

Industrialists complain that financial institutions such as IDBI do not perform a sufficiently developmental role and their criticism is partly valid. IDBI, like other financial institutions, raises funds for its lending programme through a variety of sources like bonds and debentures. But it still depends on government financing—budgetary support was resumed last year and was Rs1.4m in 1981-82—and must provide for repayments.

The capital market is only just becoming effective, but the important role of the financial institutions is obvious from the increase in their lending.

IDBI sanctioned loans worth Rs 18.56bn (just under $2bn) in 1981-82, with a matching rise in actual disbursements. This compares with the nominal Rs 540m when IDBI was launched in 1964.

IDBI was started as the apex financial institution and part of its functions are to co-ordinate the activities of others such as the Industrial Finance Corporation, Industrial Credit and Investment Corporation and others in the field. But direct lending for a variety of industrial development schemes are its main function.

Operations have grown over the years. They now include direct assistance to industrial concerns, refinancing of industrial loans granted by banks and other financial institutions, rediscounting assistance, finance for exports and subscription to shares and bonds of other agencies helping the industrialisation process.

Direct assistance is usually granted only for acquisition of fixed assets for setting up new units and expansion, modernisation or renovation of existing ones. This amounted to Rs 4.45bn in 1981-82, showing a somewhat slower growth than in the previous year and a slight fall in project loans. This is partly because of IDBI's pressure on industries to tap other sources.

Refinancing of industrial loans has also risen to Rs 8.05bn. The fall in the underwriting of subscriptions by IDBI suggests that fewer unsold shares of companies are now devolving on financial institutions. In other words, shares are now being better received in capital markets and companies are relying less on the institutions.

'Soft loans'

IDBI gives "soft loans" at a relatively low interest rate of 7.5 per cent to units in the groups of cement, sugar, jute, cotton textiles and certain engineering industries to enable them to take up rehabilitation and modernisation programmes. But disbursements are relatively low—Rs900m last year—because of the "convertibility clause."

This is now required by the Government to be inserted in loan agreements by the financial institutions to enable them to take up the option of converting loans into equity. The option is not often exercised, but industries — particularly the "sick units" which are more vulnerable—hesitate to take the loans because of the danger of losing control to the financial institutions.

In the field of export finance, the IDBI operates four schemes —direct loans to exporters in co-operation with approved commercial banks, refinance of medium-term export credits by commercial banks, direct credits to overseas buyers and lines of credit to foreign financial institutions.

IDBI also offers consultancy services to exporters on markets abroad.

The quality of the assistance schemes has changed over the years to enable IDBI to follow governmental policies on promotion of balanced regional development the priority to the small-scale sector. Hence, such schemes as a "differential rate of interest" for industries located in the so-called "backward areas."

IDBI explains that its disbursements do not match actual sanctions because of various factors such as delays in project preparation of delivery of equipment. One study by it shows that drawings by borrowers setting up medium and small units are spread over three years while big projects spread them over four years. One indication of the gestation period in the country that financial institutions have to keep in mind.

Despite its non-alignment as a Third World country India finds itself increasingly reliant on the good offices of the Soviet Union

Russia heads trading partners

WHEN THE talks with Davy McKee of Britain on the Orissa steel plant broke down earlier this year and the Indian Government made tentative approaches to Russia, the Soviets could well have shrugged and sniggered: "We told you so!"

This is not the first time that India has turned to Moscow to be baled out of a tricky situation.

By any reckoning, Russia is India's biggest economic partner. West European countries have bagged a number of major industrial project contracts after the Government recently opened the country to international bidding. But while they have been busy competing with each other, the Soviet Union continues to edge its way in to remain the leading partner.

Russia in 1981 dislodged the U.S. from the top position in the league of India's leading trading countries. This is hardly surprising as Indo-Soviet economic relations have steadily increased, with defence contracts helping the process along.

At present, the Russians are helping Hindusthan Aeronautics to tool up in preparation for making the latest Migs under licence after having assisted the public sector company to make the earlier versions.

Russia is supplying T-72 tanks, artillery and missiles among the major weapons for the Army. Defence deals have helped Russia to reach the top position in India's trade but it would be a mistake to think this is the main item in their two-way exchanges.

Russians today are helping to expand the Bokaro Steel Plant, building the new steel plant coming up at Vishakpatnam, helping the Oil and Natural Gas Commission to do exploratory drilling in various parts of the country, working on a massive alumina project in Andhra, have just completed building a six-million-tonne oil refinery in Mathura, Uttar Pradesh, will build a thermal power complex at the Singrauli coal mines with a 1,000 Mw station at Waidhan and a related 14m tonne coal mine and will soon launch operations on the 12m tonne coal mine at Mukunda.

After having built about 80 major industrial projects over the last three decades (even though many of them are working at well below capacity), Russia is now also involved in modernising many of them, notably the heavy-machine building plants at Ranchi, Durgapur and Hardwar. They have also taken on new projects in food, pharmaceuticals and irrigation.

Decision

Russia thus dominates India's industrialisation and developmental programme. An estimate of the value of the projects is not available, but it must easily run into several billion dollars. This is largely because of the Soviet Union's political decision to be heavily involved in India and its ability to offer low-cost machinery and equipment with long-term credits.

At least part of the reason for the Indian Government's decision to open the country to European countries and Japan—and, if it wants, the U.S.—is also the awareness that the Soviet presence is too large for comfort. Successful bidding by Western companies and Japan has also been partly due to their financing packages consisting of a mixture of Governmental aid, export credits and commercial borrowings helped by political decisions in India and the country involved.

France is the leader among these. It started by winning the $830m contract for an alumina plant in Orissa (by Pechiney) and helps the Oil and Natural Gas Commission in offshore drilling.

France has also landed the first contract for an electronics telephone exchange. Among the defence contracts is the sale of the Mirage 2000 with the possibility that India will manufacture them under licence and the Exocet missile.

France is a major contender for other industrial projects such as steel plants, the Bombay satellite port project and petrochemical plants.

Britain would have been in France's place but for the Orissa steel plant fiasco which meant the loss of a £2bn contract.

For the present, British Aerospace's Jaguar deal and Northern Engineering Industries' Rihand power plant are the two prestige contracts won by British companies recently, although many more are in the running for the kind of projects in which the French are also interested.

Germany has won some major defence deals—such as building of submarines under licence—and Japan is on the verge of landing the contract for the Apsara "Super" Thermal Plant, but their recent successes—as those of the U.S. which has not bid for any of the major industrial projects—have been in trade and collaboration agreements (the Indian description for agreements on manufacturing under licence).

Indian industry, both in the public and private sectors, is being encouraged to modernise and import the latest technological processes. This is largely through either outright purchase of technology or payment of royalty for five ears and, in about 20 per cent of the cases, the foreign collaborator is allowed equit participation.

Russia is barely in the field for these agreements, having won just two or three annually for the last five years. In terms of investment, Japan is ahead because of Suzuki Motors' stake in the Maruti Automobile contract but U.S., British and German companies remain at the top as they have for several years. The three are the top suppliers of technology.

In 1982, companies from each of the three will have signed around 80 agreements each with Indian collaborators.

Dominant

In overall trade, Russia is expected to remain the dominant partner despite India's huge imports of crude and fertilisers from the Middle East.

Russia has now emerged as an oil exporter as well—about 4m tonnes a year—and it is partly because of this that the two-way turnover will be around Rs 30bn in 1982.

Expectations are that this will double in five years because of Russian participation in India's defence and industrial programmes.

The increase in trade with Russia has been partly due to the "rupee trade" mechanism which involves settlement in non-covertible currency.

Since Russia makes heavy purchases of Indian consumer goods and raw materials, India has now actually a favourable bilateral balance and there is some doubt about the benefits of the rupee mechanism. None the less, Russia will undoubtedly remain as India's main trading partner.

K. K. Sharma

A widening trade gap has made heavy inroads into India's exchange reserves. Help from the IMF will strengthen its hand in commercial borrowing

IMF loan shores up reserves

INDIA'S CALCULATIONS on external financing of public and private sector projects have gone awry because of the continued deterioration of the terms and trade and the foreign aid climate. Having planned on a limited drawing on the foreign exchange reserves and virtually negligible commercial borrowings when the sixth five-year plan was formulated in 1980, the government has been forced to depend heavily on both.

The main change has been the rapid drawing on the reserves which, it had been hoped, would be limited to just around $1bn in the entire five-year period, 1980-85. Instead, because of the large and growing trade gap in the past three years, the reserves have gone down by around $150m a month.

This heavy fall made it necessary to borrow from the International Monetary Fund's extended financing facility from which $5.7bn is being made available from 1981 for a three-year period (the largest single loan approved by the IMF). Instalments of the loan in the past year or so have cushioned the reserves to keep them just under $4bn. The IMF has thus given critical balance of payments support to enable the government both to try to improve the country's ability to earn foreign exchange as well as to take resources to other forms of finance. More commercial borrowings abroad, mainly Eurocurrency loans but also from other world capital markets, in 1982-83 are expected to total something like $1.5bn. Having tapped the world financial markets for the first time just two years ago, this shows a marked spurt in commercial borrowings. This is roughly the level that is expected to continue every year.

The bulk of the borrowings, at rates of interest just marginally above Libor (London Inter-bank Offered Rate), are to be in the electricity generation sector. But many other imports such as those of aircraft, capital goods and technology are being allowed to government and private companies.

The companies are required to follow certain guidelines which aim at minimising the external debt burden. The companies will first have to try to obtain foreign exchange from credits given by such international institutions as the World Bank, the International Development Association and the International Finance Corporation.

Only if these relatively cheap credits are not available will the government permit them to consider other sources which again will be approved in an order that makes certain that the cheapest credit is available.

Thus, loans, if not obtained fro the world financial institutions, will be first required to be sought through suppliers' credits of buyers' credits available from the European Economic Community's lending institutions, Exim banks, and the like, provided the terms of such credits are in line with the standard terms prevailing for such export credits from their respective countries.

If deferred credit terms are not available, Indian companies are required to approach the government's own financial institutions like the Industrial Credit and Investment Corporation of India, the Industrial Development Bank of India or the Indian Finance Corporation for obtaining foreign exchange for making imports. The institutions, in turn, either get government credits or borrow themselves on the world markets.

Depending on its nature, the institutions make an appraisal of the project for which imports are needed by the companies and provide necessary finance from their own foreign exchange lines of credit.

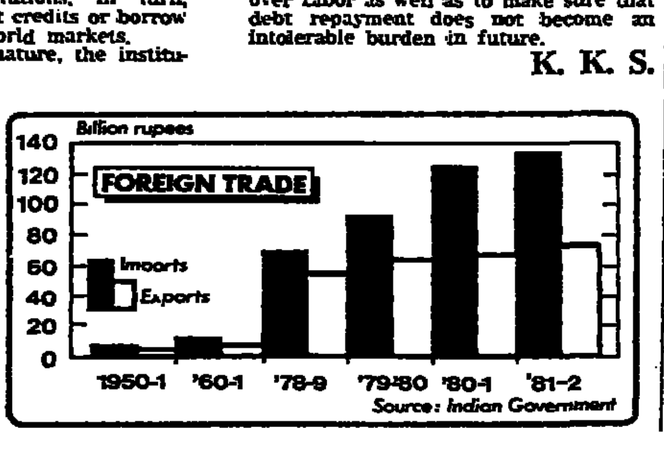
Only in cases where the import requirement is substantial—usually in the case of developmental and industrial projects of the kind awarded to Pechiney of France for an alumina plant—is the raising of loans from the world capital markets allowed. These are by no means rare, but the company concerned must satisfy the government that the loans have been raised on "reasonable terms."

Commercial borrowings from abroad are permitted only from financial institutions and banks of repute and the government does not favour raising of loans through intermediaries.

Foreign exchange loans are not normally permitted to finance rupee expenditure in India, but exceptions have been made in the case of predominantly export-oriented industries and electricity generation projects. Exceptions were also made in the case of foreign exchange loans for setting up hotels involving rupee expenditure in preparation for the recent Asian games.

The Finance Ministry is keeping a close watch on the borrowings programme, which is often linked to government-to-government aided-projects, to ensure that this does not exceed "safe limits." The object is to maintain India's high credit rating which has enabled it to obtain loans marginally over Libor as well as to make sure that debt repayment does not become an intolerable burden in future.

K. K. S.



Foreign equity stake welcomed

BEST AND CROMPTON of Madras is one of the relatively few Indian companies to have attracted equity investments from Britain and other European countries in the past couple of years.

At a time when most foreign companies have been preferring to limit their Indian involvement to technical collaboration, Mr M. K. Kumar, chairman of Best and Crompton, says: "We will not go for technical collaboration alone. We can't do enough research and development ourselves to keep going so we need a continuous inflow of technology from our partners.

"The only way to secure that is to have equity investments so there is sharing in the management and the risk taking. If we only have technical collaboration we are usually dealing only with engineering staff. Now we have board level relationships with UK directors on our boards."

Best and Crompton grew early this century from Best, a trading company which diversified into engineering, and Crompton, which specialised in electrical engineering. It is now more than 90 per cent Indian-owned.

Mr M. K. Kumar . . . "We will not go for technical collaboration alone . . . with equity investments there is sharing in the management"

For the past three years, under the chairmanship of Mr Kumar, who joined in 1979 from Sime Darby, the company has been building up its engineering technology with new foreign partners.

It has just concluded a deal with Weir Pumps of the UK to produce pumps for Indian customers in power supply, coal mining, urban water supply and other areas. Mr Kumar does not believe that Indian manufacturing costs are low enough to rival European producers, even in relatively low technology engineering, so does not envisage major exports back to the UK.

Weir has 40 per cent of the equity of the venture, the cost of which is more than covered by down-payments it is receiving from Best and Crompton for the technology transfer.

The pumps will be launched this year and an annual turnover of £6.25m to £9.3m (Rs 100m-Rs 150m) is forecast within three years.

Negotiations on the deal took two years, partly held up by the Ministry of Industry wanting to limit Weir's holding to 24 per cent, and partly by legal complications.

Best and Crompton has a similar equity link-up with Rotork of Bath in the UK for electrical actuators, and is negotiating with Chloride of the UK on standby power plants and Kone of Finland on elevators.

John Elliott

Britain fighting back in Orissa contest

CONTESTANTS ARE lining up for round two of one of the most intriguing heavy engineering contract battles in the developing world—the construction of an integrated steel plant in the Indian state of Orissa which, in its first stage, could cost up to £2bn.

Round one ended last May, when the Indian Government revoked a letter of intent given to Britain's Davy McKee to equip and build the plant on a turnkey basis for around £1.25bn, and deprived UK steel plant manufacturers of an opportunity to hold centre stage in one of the world's only growing steel industries for the first time since 1960.

The collapse of the negotiations with Davy McKee palpably soured relations between the British High Commission in New Delhi and the Steel Ministry, about two miles away. Nevertheless, the British are back in the running for the Orissa plant, encouraged somewhat by a £231.5m contract awarded to Northern Engineering Industries of the UK to build a thermal power station in Uttar Pradesh.

This time, however, New Delhi has tightened up the rules: contracts awarded abroad will probably be for equipment only; tenders will be limited to specific elements in the plant—roughly covering iron-making, steel-making and milling—as opposed to the turnkey option; and Indian groups will be given as much business, including construction, as possible.

The British, too, have radically altered their approach. In an attempt to satisfy New Dehli's preference for dealing on a government to government level, the British Steel Corporation has taken the lead in negotiations with the Indians. Davy McKee and other UK steel plant manufacturers are wisely keeping a low profile.

By March, a detailed project report will have been prepared by India's state-owned Metallurgical and Engineering Consultants (Mecon). Soon after that, the Government expects to call for limited tenders in the hope that work on the plant, which will have a liquid steel capacity of up to 1.5m tonnes a year in the first stage, can begin during 1984.

Mecon has already prepared a feasibility study for the plant, prompting a number of potential bidders to beat a path to the door of Mr A. S. Gill, the Steel Secretary and top civil servant involved. BSC got there first. Mr Bob Scholey, BSC's deputy chairman, led a delegation to New Delhi in October after Mrs Thatcher held talks with Prime Minister Indira Gandhi that are certain to have included the Orissa plant.

Contract rules tightened in Delhi

Mr Scholey's visit was followed up by a two-page letter to the Steel Ministry from the British High Commission in New Delhi detailing equipment (coke ovens, blast furnaces and sinter plant amongst others) that Britain could supply. Although money has not, so far, been mentioned, the equipment mentioned could be around 55 per cent of the total cost of the project.

The Russians, who have easily the biggest foreign stake in India's steel industry, have also held discussions about the plant in New Delhi. The West Germans, amongst them Gutehoffnungshuette - M.A.N., Scloemann-Siemag and Mannesman Demag (which lost the original turnkey contract to Davy) are also interested.

The Japanese, who are showing increasing interest in the expansion and modernisation of India's steel industry, are also likely to bid for the plant. A Nippon Steel delegation was due to have talks in New Delhi last week. The French have let it be known that credit made available, when Alsthom formed part of the abortive Davy McKee consortium, still stands.

Details of how the Davy consortium failed to win the full £1.25bn contract for the plant have taken a long time to emerge. In the apportioning of blame that followed the withdrawal of the Letter of Intent, at least one crucial point—changing the site—remains unresolved and will, probably, be buried in time. The picture that has emerged, however, provides a graphic illustration of the pitfalls involved in chasing international projects.

It was in August 1978 that the Janata government first signalled its intention to set up a plant at Paradip, on the east coast, in Orissa, the home state of the then Steel Minister, Mr Biju Patnaik. The initial suggestion was put to Count Otto Lambsdorff, then the West German Minister for Economic Affairs. Mr Patnaik, who was, at the time, presiding over plans to expand and modernise India's existing five steel plants and the imminent construction by the Russians of a sixth, saw Paradip as an ideal springboard for India to begin exporting steel on a large scale.

Astonishment at the Steel Ministry

Count Lambsdorff's visit was followed up by an offer to build from Mannesmann Demag. This was hotly pursued by bids from Davy McKee, Uzinimportexport of Romania and Met-Chem of Canada. By then, the first mistake had been made, and it was New Delhi's fault (a point now conceded). In their haste to build the plant, the Indians had not drawn up a detailed project report and the bidders were working off their own differing design assumptions.

To mitigate the disparity in designs, Mecon was asked to prepare technical specifications, which it did in two volumes. But this was obviously no substitute for a detailed report. (For example, the detailed report prepared by Mecon for a plant the Russians are building on the coast south of Paradip runs to 20 volumes). By March 1981 the potential contractors had submitted revised bids on the basis of Mecon's specifications. Davy McKee's revised offer was $3.3bn, up from $3.1bn at first.

Nevertheless, Davy was singled out along with Mannesmann Demag as a final contender and in August 1981, the day before final consideration of the bids, made a little history by cutting its tender by a massive $468m to $2.8bn. Astonishment at the Steel Ministry, which now believes along with Western diplomats in New Delhi that the Mannesman bid, which was lower, had been leaked to Davy, soon subsided. Mannesmann was allowed to lower its bid, which finally stood at $2.6bn.

Davy was awarded the Letter of Intent on September 24 largely because its final offer contained a UK grant element and other financial concessions worth around $388m, making its net quotation lower than the West German's, at $2.4bn.

Things began to go wrong almost from the very beginning of the detailed contract negotiations that followed. The Indians say the British side was slow from the start in providing technical data and specifications for equipment. Sources of supply for equipment had to be changed because the French financial element of the Davy bid could not be confirmed.

But, in retrospect, the collapse of the negotiations became a certainty when in late 1981, the Indians say Davy McKee suggested shifting the site of the plant about 100km inland from Paradip to Daitari. The British, however, insist that Davy was asked to suggest the move. Paradip, it had been realised, was prone to cyclones.

The move to Daitari might have been embarrasing to the Government, which by now had changed hands. Certainly, Mr Patnaik's vision of an export orientated plant built on the coast would be made senseless by a move inland. Prompted or not, however, Davy formally proposed changing the site in December 1981 and in January 1982 were told, unofficially, to go ahead and plan for Daitari. New Delhi announced the move formally on March 16 1982.

Three days later the Davy team in India presented the Government with a formula for determining the new cost of building the plant inland. The Indian Government says it accepted that agreement on the new formula was "workable." According to New Delhi, however, Davy withdrew this proposal in April and said it could not give a quotation for construction at the new site.

Within less than a month, the negotiations would collapse. Davy McKee, it seems, had become increasingly concerned that while its last minute price cut may have won them the Letter of Intent, its chances of making any money out of the project were rapidly diminishing. Indeed the withdrawal of the Letter of Intent may have been greeted with some relief by Davy.

The Indian Steel Ministry quotes examples of attempts by Davy McKee to lower the technical specifications of the plant after the Letter of Intent was awarded in October last year. For instance, where the Mecon specification on which Davy had made their final offer called for blast furnace capacity of 5,000 tonnes of hot metal a day, Davy, the Indians say, subsequently proposed 4,400 tonnes a day.

When asked to conform to the technical parameters upon which they had tendered Davy, according to New Delhi, listed the change as additionalities and asked for more money. "It was obvious to the Indian side that right from the beginning of negotiations in October 1981, the Davy McKee side was attempting to lower the specifications of the plants," says a document drawn up by the Steel Ministry. "Acceptance of the Davy McKee proposal would have meant that we would have got a deficient plant."

Bargains that save time and money

New proposals did not come only from Davy McKee, however. The Indians decided to build a medium section mill rather than produce eight sections. The size of the wire rod mill contained in the original specifications was reduced. While the Indians were happy to discuss price movements up or down as they altered their requirements, they insisted that Davy's overall offer price was "fixed" and should not be expanded.

That proved to be a point from which New Delhi would not budge, despite the fact that interest on export credit was due to rise from 7.75 per cent to 10 per cent on May 15 1982. Davy, it seemed to the Indians, began to calculate that New Delhi would sign a final contract on their terms before that deadline.

On May 9, Davy completely revised its bid and suggested that the contract with them should cover only supplies of equipment from abroad and not the construction of the plant. In an accompanying quotation, the Indians notes that cost of foreign equipment had risen nearly $1bn from the original Davy bid. The Indian negotiators had had enough. "It would have hurt our international reputation to have given Davy a higher price," says Mr N. D. Tiwari, India's Ministry for Industry and Steel.

Davy McKee can take some comfort, however, from the fact that, broadly, its suggestion of May 9—that the plant be constructed by local groups and that international tenders should largely be confined to the supply of equipment—has been taken into account by New Delhi.

But this does not mean that New Delhi is closing the door to approaches in the cavalier mould of the original Davy bid. "If there is a good offer first (before formal decisions on contracts)," says Mr Tiwari, "then we may say here is a bargains which saves time and cost."

Peter Bruce

Foreign investment bumps against licensing system

DESPITE the much-heralded relaxation in India's policy towards foreign investment, the Government of India's approach remains highly selective. "Getting licences in areas which are not in the Government's top priority care list is officially so difficult it is almost impossible," says one businessman with considerable experience of India.

A foreign company wishing to invest in India—whether it is by means of a sale of technology, a joint venture, or the expansion or diversification of existing capacity—must go through the intricate process of obtaining an industrial licence.

"The important thing to remember is that for all practical purposes the Government has reserved for itself the power to decide who will make what, where and in what quantity—that means the granting of licences is seen essentially as a political act," is the view of a large British company operating in India.

In theory, the procedure for obtaining an industrial licence is fairly straightforward. Applications must be submitted to various inter-ministerial committees which are serviced by a common office called the Secretariat for Industrial Approvals.

The Licensing-cum-Monopoly and Restrictive Trade Practices (MRTP) committee chaired by the Secretary, Industrial Development, looks at the specific project, its costs, mode of financing, export potential and technology involved. All foreign collaboration ventures must also be approved by the Foreign Investment Board, a committee chaired by the Finance Secretary. The Capital Goods Committee, chaired by the Secretary, Heavy Industry, considers the balance of indigenous versus imported goods.

Companies do not have to go through all these committees for approval of one project, however. As long as a company makes certain it has fulfilled all its requirements when it submits its application, it can go straight to another body called the Projects Approvals Board, normally chaired by the Secretary, Industrial Development.

A letter of intent should theoretically be issued within 60 days. In reality however, it can take six months or far longer.

The letter of intent sets down the conditions for the import of capital goods, foreign collaboration, financing and other aspects of the joint venture. Providing a company can fulfill the conditions laid down in the letter of intent, it is issued with an industrial licence later.

Simultaneous

Businessmen stress that the licensing process is a matter of simultaneous applications to relevant authorities, and say there is no point in going ahead with the application for a letter of intent, if for example, technical agreements have not been completed.

They also insist on the importance for a foreign company of having a representative—or preferably a partner—in India who will keep track of the applications as they pass through the various stages.

Friends in high places in both Delhi and the Government of the State involved do help, and businessmen say that where there is a delicate political situation regarding the granting of a licence, the buck is almost always passed upwards.

One private sector company with a minority foreign shareholding developed its own solution to the delays in obtaining licences. The company wanted to expand capacity substantially but in order to do this it would have had to apply for a licence. So the company went ahead with a new plant, including it in its annual report as "replacement and modernisation."

"By the time the government notices," said the managing director, "we will have achieved our purpose. And the fines involved for doing this are minimal."

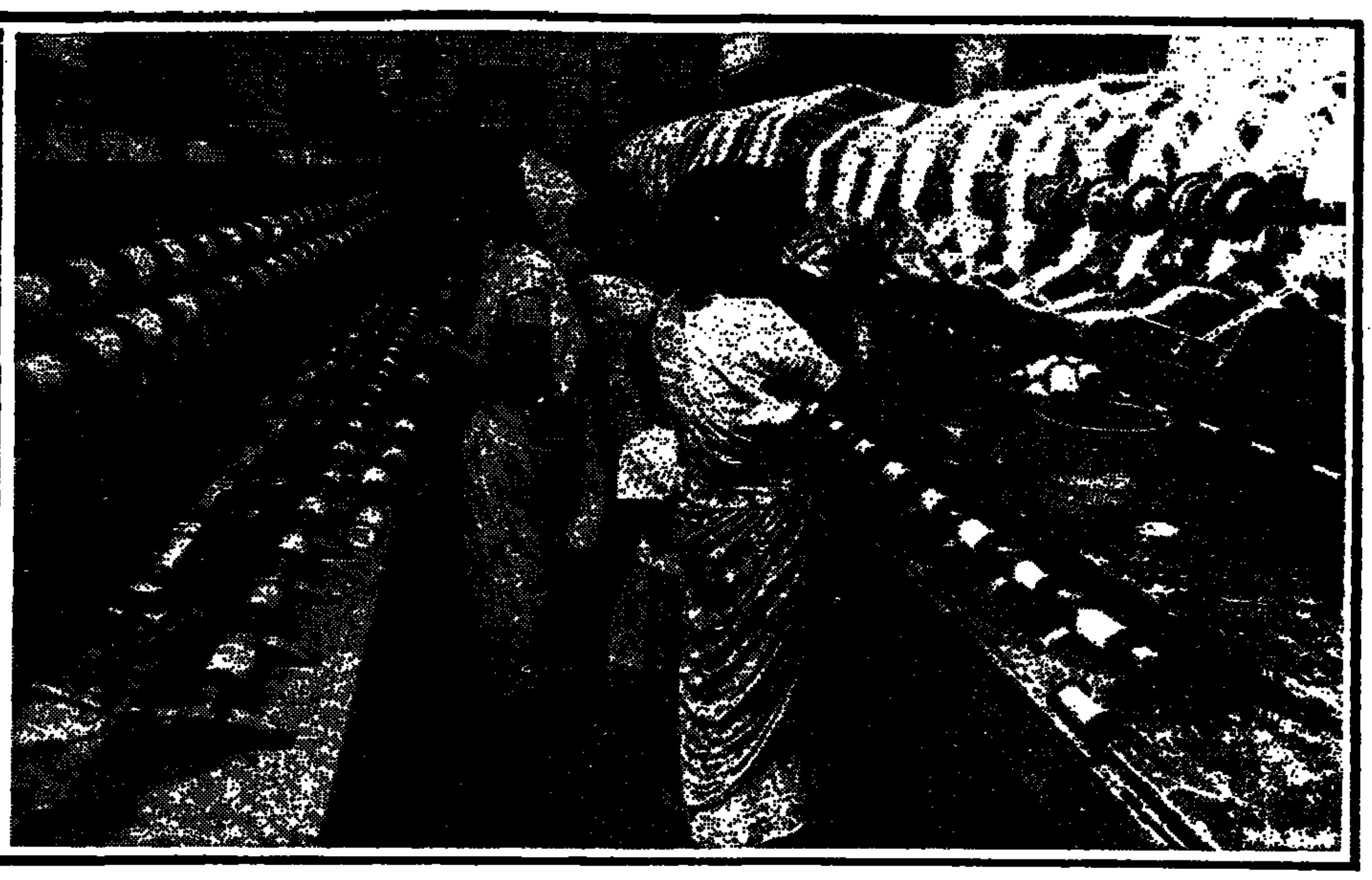
Other businessmen say however, that although some companies do go about their business in this way, it is unlikely to endear them to the Government in the long term.

A topic most businessmen are reluctant to discuss is the extent to which under-the-table payments facilitate the obtaining of an industrial licence. Many businessmen admit privately however, that one has to be flexible in one's approach to such payments, as indeed one has to be flexible—and patient—in the whole process of doing business in India.

Dina Thompson

INDIAN INDUSTRY IX

On this and the following pages, an examination of progress in the leading sectors



DIVERSITY OF INDUSTRY . . . . India is moving rapidly into new areas of high technology while also encouraging crafts and other small businesses. Left: British Jaguar aircraft are assembled at Hindustan Aeronautics in Bangalore. Right: Spinning fine silk thread at the Institute of Sericulture Development in Karnataka State, which produces over 60 per cent of the country's silk.

AEROSPACE

Choice of package deal for air force

MIGS FROM Russia and a variety of other fighters made in the country under licence, already scream across Indian skies. These will soon be joined by the sophisticated Mirage 2000 from France to make the Indian Air Force one of the most formidable in Asia.

With the acquisition of such modern aircraft, Hindusthan Aeronautics, the Government-owned company that makes all civil and military fixed and moving-winged aircraft in India, has already launched into a new era of production.

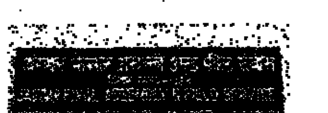
The company will soon start assembly and manufacture of a new generation of aircraft now that the Government has decided to modernise the air force. Jaguars are already being assembled at the Bangalore plant of Hindusthan Aeronautics under licence from British Aerospace and an earlier decision not to manufacture them is being changed so that some (the number is not yet decided) will also be made there.

Hindusthan Aeronautics' Mig complex at Bangalore, Koraput and Nasik is also entering a new phase. Although it has so far been limited to making the Mig-21 and its successor, the Mig-21-Bis, indications are that it has been decided to skip several stages and go straight to making the Mig-27.

The Mig-27 is much cheaper than the Mirage 2000 being acquired from Marcel Dassault of France and has been offered in a tempting package by the Russians who are obviously perturbed at India's diversification programme that has made it less dependent on them.

Some politics is involved since France is putting considerable pressure on the government to add to the initial purchase of 40 Mirage 2000 aircraft by assembling another 45 in India after importing them in knocked down condition and manufacturing 65 more under licence.

If France wants to get the contract, it will have to offer a financing package that should be tempting enough to encourage the Government to revise the decision to make the Mig-27. It is possible that the Defence Ministry will opt for making both if the terms are right, but



the chances are that a choice will have to be made. In either case, Hindusthan Aeronautics will be geared up for making aircraft of a sophistication that it has not tried so far.

The company is also diversifying into new kinds of helicopters and here the competition is mainly between Snias of France and Britain's Sea Kings, although Messerschmidt - Belkow - Blohm (MBB) of Germany is also in the running for a contract that will involve the purchase and manufacture of nearly 600 helicopters over a seven-year period.

All this will mean that the present under-utilisation of Hindusthan Aeronautics capacity—estimated currently at around 30 per cent—will not be a problem after some time. This is mostly because of the low order-book position in some sections in Bangalore and in Kanpur (where production of the Avro has now ceased).

Despite this, Hindusthan Aeronautics crossed the Rs 2bn turnover last year (1981-82), with sales going up by 50 per cent and profits by as much as 300 per cent in a single year. Sales of military aircraft during the year totalled Rs 2.27bn. Plans are to double the turnover in the next four years.

While the aircraft industry is poised for fresh growth, there is considerable rethinking on India's space programme following the failure of the first Indian-designed and U.S.-built communications satellite, Insat-1A, last September.

Built at a cost of Rs 700m, the satellite barely stayed operational for a fortnight after launching and this has set back both the communications and space programmes.

This failure, after successful launching of space rockets, has delayed the second satellite while an elaborate post-mortem is made. In the meantime, the Department of Space is going ahead with three major space projects—including development of a satellite and two launch vehicles at a cost of Rs 3.93bn—as part of its profile for the 1980s.

K. K. Sharma

TELECOMMUNICATIONS

Switchover continues

INDIA'S telecommunications programme has opted for electronic exchanges and telephones to modernise obsolete systems whose notoriously poor performance not only constantly annoys subscribers, but also slows down official work and business communications.

The changeover has already been initiated, although it will be two or three years before the impact of the modernisation programme is felt. This involves import of electronic exchanges for early installation and building of at least two electronic exchange factories with foreign collaboration.

Import of exchanges has been simple enough. France's CIT-Alcatel has won orders for 25 exchanges totalling 190,000 lines and these are expected to be operational by 1984. Fujitsu of Japan has won orders for SPC electronic exchanges, totalling 175,000 lines, while Siemens of West Germany is to supply 174,000 sets of electronic telex equipment.

Award of contracts for the two electronic telephone exchange factories to be set up has been considerably controversial.

In the running were 10 companies from Britain (which offers British Telecom's System "X"), Japan, Germany, the U.S., Norway and France.

Before tenders were opened, it was announced that the contract for the first factory with a 500,000-line capacity had been awarded to France's CIT-Alcatel. A flurry of protest followed from the competitors who remain dissatisfied with the official explanation that CIT-Alcatel had been awarded the contract for the second factory and their tenders were still valid for the first.

Negotiations with CIT-Alcatel were held bilaterally, and the French offer of soft aid of FFr 1bn before the May 15 deadline for low interest European credits, proved to be decisive. The French company is also in the running for the second (or what the Indians call the first) factory with a 500,000-line capacity.

No guarantee

Officials say that there is no guarantee that CIT-Alcatel will automatically win the second contract, and some believe it would be best to give the contract to another company so that India is not entirely dependent on one system. However, Indian experience with making the different telephone systems compatible hardly encourages this view. Nevertheless, global tenders have been floated for the World Bank-aided project and the choice will be made from the original ten bidders by next May. Financing arrangements could again be decisive.

Indian Telephone Industries, the public sector company which has so far handled development of telecommunications in the country, will modernise its factory in Palghat, Kerala, with the system chosen. The Palghat plant has already done considerable work on producing small electronic exchanges for rural communications, and about 100 of these are already operational.

Face Standard of Italy, a subsidiary of ITT, is to be given the contract for a new model telephone to be made by Indian Telephone Industries. A new factory is expected to make 500,000 instruments a year and its capacity will later be expanded to a million.

The need for modernisation is apparent from the fact that there are still as many as 1,350 manual exchanges out of the 7,890 working at district headquarters and elsewhere. Priority is being given to make these automatic, partly with the help of containerised telephone exchanges. But complete automatisation is to be achieved only by 1990.

British Telecom has also made an offer with Plessey to provide small capacity electronic rural exchanges.

A similar change-over to electronic technology is to be made for the outdated telex system. German equipment is to be used for telex exchanges in the four main cities of Delhi; Bombay, (where a beginning has already been made); and in Calcutta and Madras.

A project for electronic teleprinters to be made by the public sector's Hindusthan Teleprinters has also been cleared by the Government. Companies from Holland, France and Italy are in the running for this contract.

K. K. S.

STEEL INDUSTRY

Expansion plans remain intact

TALKING TO India's steel industry leaders, outsiders could be forgiven for forgetting that steel manufacturers in Europe, the U.S. and Japan are experiencing their most severe demand crisis since the 1930s.

While British Steel Corporation executives agonise about where next to cut capacity, their Indian counterparts sometimes have difficulty listing from memory all their expansion plans.

Schemes exist for boosting India's raw steel capacity of 11.4m tonnes a year to 22.65m tonnes by the end of the 1980s. One major new plant is under construction. Modernisation is underway at all five existing public sector integrated plants and at the single private sector integrated unit, run by Tata Iron and Steel. Two other plants are also planned.

Although these plans appear to have remained intact, India has not escaped the international impact of the steel profits.

Tata Iron and Steel, in which Government institutions have a financial stake of about 48 per cent (and the Tata group only about 4 per cent), is losing heavily this year after record profits in 1981. Pre-tax profits for the half-year to September fell 67 per cent to $906m (Rs 154.5m) compared with the previous year.

The Steel Authority of India (Sail), created 10 years ago as a holding company for the country's individual public sector producers, made a profit of $24.5m (Rs 391.7m) last year, but its chairman, Mr S. Samarapungavan, holds out no such hopes for this year. It seems that only recent signs of a late rally in output will keep the group in the black.

Sail stocks have nearly doubled in the past 12 months—the figure in June, was some 1.1m tonnes or equivalent to about two months' production of the public sector plants.

Mr Samarapungavan, however, is an optimist: "We are quite sure that with proper policies by the Government and ourselves we can do well. Fortunately, our dependence on the international market is minimal."

Mr Samarapungavan has plans for four of his integrated steel plants:

● **Bhilai:** built in 1972 in the state of Bihar, it is a largely indigonous plant. Bokaro's rated ingot capacity has expanded from 1.7m tonnes to 2.5m tonnes today.

By the first quarter of this year a second steel-melting shop will have been commissioned and steelmaking capacity should be ready to move to 4m tonnes.

A fifth blast furnace is scheduled for completion by the end of this year.

Capacity

● **Durgapur:** built in West Bengal, with British assistance in 1960. Steelmaking capacity at Durgapur now stands at a nominal 1.6m tonnes.

The plant has a bad production record despite operating at nearly full capacity in 1964-65 and 1965-66. This is partly because some of the UK-supplied equipment has not performed well. In 1980-81, the plant's output was only 46 per cent of its capacity.

Durgapur is being modernised under a scheme expected to cost $690m (Rs 11bn).

There are also plans, not yet approved by government, to raise steelmaking capacity to 2.5m tonnes.

● **Rourkela:** built in Orissa with German assistance in 1959, Rourkela's rated capacity now stands at 1.8m. It was the first Indian plant to use basic oxygen convertors in steelmaking. Some open hearth furnaces are also used.

Basically a flat products operation, Rourkela also produces pipes electrical steel sheets. Sail hopes to boost steel-making capacity to 2.5m tonnes, but it will be some time before this is seriously attempted.

A first phase of modernisation, worth Rs 5bn, still needs Government approval.

● **Indian Iron and Steel Company (IISC):** located at Burnpur in West Bengal, IISC is India's oldest steel producer. The Government nationalised it in 1976 and Sail management has gradually pushed capacity utilisation to over 60 per cent of the nominal 1m tonnes.

The Soviets are helping prepare a modernisation and expansion programme, which could double capacity for the plant. This could cost up to $625m (Rs 10bn).

Tata Iron and Steel is also modernising its 2m tonne plant at Jamshedpur in Bihar, installing basic oxygen furnaces and continuous casting equipment at a cost of some Rs 2bn. Davy McKee of the UK is supplying and installing the steel melting shop equipment.

Tata has also been given Government permission to build a 400,000 bar and rod mill and a second continuous billet caster.

According to some semi-official estimates, the Soviets will have had a hand in some 68 per cent of Indian steel-making capacity within the next 10 years.

At Vishakapatnam, on the east coast, Soviet engineers are building a 3.4m-tonne integrated plant for the Government which is scheduled to be fully commissioned by 1987. The first phase is due to come on stream in 1985.

Moscow has agreed to grant soft credits worth $129m for the scheme, under which it will import most of the plant's production for a limited period.

The Soviets have also expressed interest in plans to build a second plant for the Government in Orissa. It was this plant, first sited on the coast at Paradip and then moved inland to Daitari, that was awarded briefly last year to Britain's Davy McKee in a $125bn turnkey contract that was cancelled (see separate article).

Pressure to build another Government plant, this time in the southern state of Karnataka, is also building up in New Delhi.

Mrs Indira Gandhi laid the foundation stone for a new Karnataka plant at Vijayanagar some 11 years ago, in what amounted to little more than a political gesture to the state electorate. However, a detailed project report has been recently completed. Babcock of the UK and GHH-MAN of W. Germany are pursuing contracts.

Peter Bruce

CEMENT MANUFACTURE

Outlook brightens as controls ease

INDIA'S MAJOR step in relaxing industrial controls has brought with it a welcome change in outlook for the cement industry.

"The dark age of the grey product ended on February 28, 1982," says Mr N. A. Palkhivala, chairman of Associated Cement Companies, in a statement to ACC shareholders.

This seems to be the unanimous reaction of the industrial sector to lifting control partially on prices and distribution of cement after nearly two decades of regimentation. Favours to property developers in allocation of cement brought down the Chief Minister of the western state of Maharashtra last year. Several ministers in other states were involved in controversial cement deals.

The partial decontrol envisages earmarking two-thirds of cement production for public distribution at a fixed price of Rs 35 per bag of 50 kg, and the remaining one-third production is allowed to be sold on the market at a maximum price of Rs 70 per bag.

The proportion of "free" market cement is increased to 50 per cent from 33.33 per cent for cement plant commissioned after January 1 1982 as an incentive to new units.

MTST cement companies are in the black now that the price realisation, in the view of the Government, has risen by an average of Rs 100 per tonne on the total cement production.

ACC has reported a surge in profits. On a 5 per cent increase in cement production, profits, after tax, rose nearly 14 fold.

For the year ended June 1982, net profit of ACC was Rs 290.3m against Rs 19.5m in 1980-81.

Partial decontrol is spurring the industry to increase cement production, which is expected at 23m tonnes in 1982, against 21.10m tonnes in 1981 and 17.75m tonnes in 1980.

Transport bottlenecks are eliminated, but the industry is grappling with problems of power shortage and inferior grades of coal.

Cement companies are setting up captive power generators to supplement supplies from the grids. The industry is switching over to precalcinator technology to improve operational efficiency.

Entrepreneurs are queuing up in New Delhi for permission to set up additional capacity. The Government considers 60m tonnes installed capacity adequate to meet the anticipated growth in demand for cement over the next five years.

Expectations

Industrial licences issued so far add up to the required capacity. Presently, the installed capacity for cement is 27.66m tonnes and new plant for 7.5m tonnes is expected to be operational in a year.

The Sixth Five-Year Development Plan has projected cement production at 34m tonnes in the year to March 1985. At 80 per cent capacity utilisation, the installed capacity will have to be 42.5m tonnes.

The Government has, for the first time, recognised the need to provide in the controlled cement price for modernisation and expansion of cement plants. Instead of taking depreciation on the written down value of the assets as in the past, the Government has allowed cement companies to calculate depreciation on a straight line method on a figure of Rs 650 per tonne, the capital cost for cement plant modernisation and expansion.

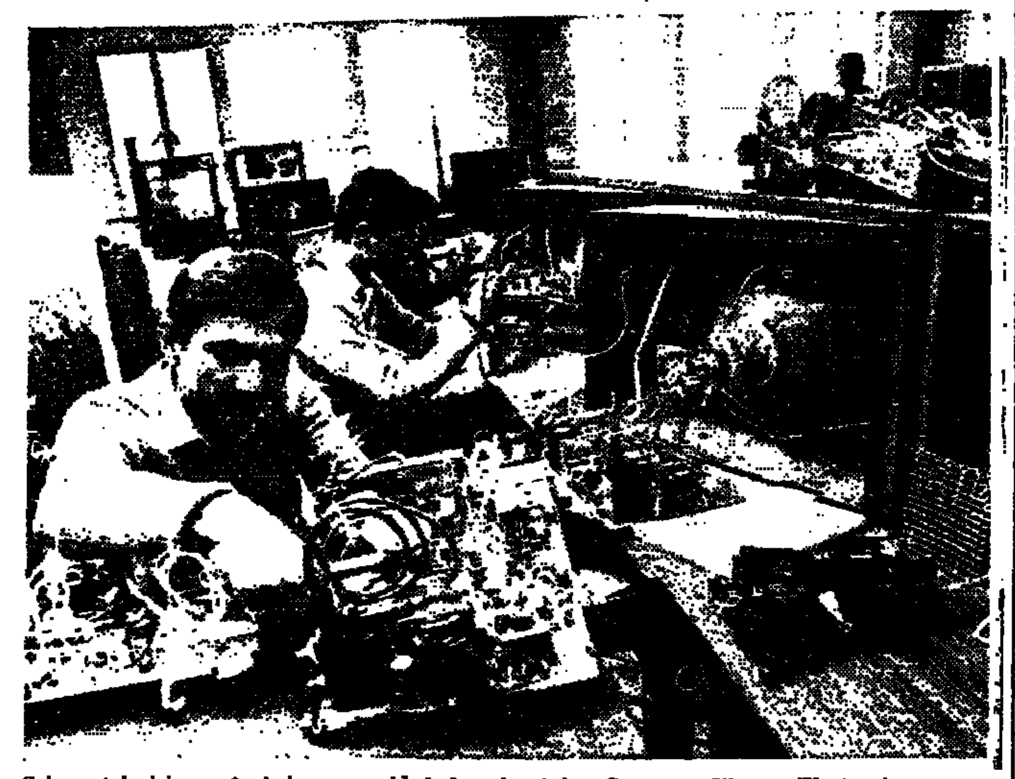
Economics of scale are also kept in view in industrial licensing, against the standardised four lakh tonne cement plant a few years back.

Quite a few 1m tonne plants are being installed. Technology imports are freely allowed, and for the first time, the Government is inclined to permit an Indian company to hire foreign consultancy services in this field. Modi group, for example, has named Blue Circle of the UK for its cement project consultancy and plant erection.

R. C. Murthy

ELECTRONICS

New policies may soon emerge



Colour television sets being assembled for the Asian Games at Weston Electronics on an estate of small and medium-sized companies on the outskirts of Delhi

AFTER MORE than ten years' debate and delay, the Indian Government suddenly decided last April that colour television should be introduced to the country in time for last November's Asian Games. That gave India six months to import or assemble some 100,000 colour television sets.

The subsequent events, ranging from bickering over where sets should be assembled to rows involving customs officials over bureaucratic delays, make a story of true farce. But the events also illustrate the haphazard and inefficient way in which India often allows its electronics industry to develop.

The industrial environment in India is not conducive to building high technology industries unless, like space and defence, they are given top priority by the Government. Electronics require dynamic growth, high volume production, and expensive research and development none of which is readily available in India.

Now, however, there are some signs that the industry may be entering a period of significant development. The Department of Electronics seems to be recognising that it has interpreted India's policies of aiming for industrial sufficiency too rigidly for too long and it is planning new initiatives. It is aiming for the industry to grow by 22 per cent a year till 1985 from output in 1981 of Rs 900 crores.

Foreign investment has been encouraged for the past two years in some areas, notably electronic components, along with growth in small computers.

The department now accepts that a main frame computer policy is needed, laying down targets for imports, output and product development. At present, import of large computers is severely restricted which has meant that customers' businesses have suffered, and there has been little development of new products.

The Electronics Department is also considering inviting international tenders from companies to co-operate with the State-owned Electronics Corporation of India in developing a medium to large main frame machine.

That would be seen in India and abroad as a significant step forward, breaking down some of the taboos which have held the industry back. The computerisation of the railway system in partnership with foreign companies which might include IBM (see article on railways) will also be an innovation, helping to open India up for international collaboration in this area.

In line with its pre-occupation with defence and allied technologies, India is well advanced in various areas of professional electronics. The Government-owned Bharat Electronics of Bangalore is the main company in this area with a $130m turnover last year of which $75m to $80m was defence work.

India is also developing various forms of consumer electronics, based on foreign technology. In particular, it is now about to recover from the chaos of the last few months' development of colour television.

The Electronics Department has a new policy for the production of colour televisions and it is also about to receive tenders from Bosch of Germany and GEC-Marconi of Britain to work with Bharat Electronics providing a country-wide network of colour television studios and recording facilities. The initial technology transfer fee contract is likely to be worth approaching £1m, in addition to orders for equipment.

Software writing is also emerging as a significant part of the industry and is to receive Government support. Indians have an aptitude for software work. This, plus low labour costs, helps some companies to under-cut European prices by up to 30 per cent, although this is partly offset by communication problems. Two subsidiaries of the Tatra Group, last year received contracts totalling some $30m for writing software for international banking computer programmes.

Russia has also bought software work from India worth approaching $5m in the past two or three years and is now proposing a deal which would involve it selling India computer hardware in exchange for more software contracts.

Such developments indicate the potential for India to develop a significant electronics industry which could gradually begin to compete internationally.

Civil servants and leading electronics executives have rejected ideas that India should try to follow places such as Singapore or Hong Kong and become a major producer of mass produced goods. But they do believe that, given a lead from the Government and more freedom from controls by the Electronics Department, there is considerable potential for growth.

John Elliott

RAILWAYS

Bids in soon for computer expertise

INDIAN RAILWAYS is starting a major modernisation programme of its internal communication and control systems and of its locomotives. This follows modernisation of railway workshops which is now entering its final stages.

The communication and control systems project includes a key computer contract for which either Canada or Britain is expected to provide consultancy and software work. The contract includes advising on a main computer order which could reopen the controversy about IBM's role in India.

India has the biggest railway network under single management in the non-communist world. It employs 1.7m people, carries 10m people daily, and, until the late 1970s, was too starved of cash to modernise. Now, World Bank loans approaching $600m are providing the base for the work.

The computerisation and communications project is budgeted at $500m most of which will be spent in India on general communications and nine regional computer systems. A lot of the hardware for these systems is expected to be supplied by the state-owned Electronics Corporation of India.

But international expertise is needed for the central control system in Delhi on which about $125m is likely to be spent abroad. Proposals are being submitted by Canac, part of Canadian National Railways, and Transmark, part of British Rail. The winner, supported by its own government's credit and financing arrangements, will supply software and long-term consultancy, as well as advising on equipment purchasing.

Both the Canadian system and British Railways use a scheme called "Tops." This is based on IBM computers which have not been sold in India since IBM left the country in 1978-79 after a row with the Indian Government over the ownership of its subsidiary. The government is insisting that there is no ban on IBM having the railway order.

IBM is believed to be considering tendering for this order which would be worth $50m to $60m. IBM's headquarters in the U.S. have said nothing to contradict rumours to this effect now circulating in New Delhi. A spokesman for the company said that if there was a major requirement in India for IBM equipment, products would be supplied "on an off-shore sale basis." There were no plans for re-establishing an IBM orgaisation in India.

An alternative would be for Fujitsu or NEC of Japan or Univac of the U.S. to supply compatible equipment.

International tenders are also being submitted by about 10 companies for a short list of development contracts which will eventually lead on to a 10-year collaborative deal, updating existing locomotive technology.

Tenders are also open for the final $5m orders for machine tools in the railway workshop's *$170m modernisation* programme. A total of 20,000 machine tools are being replaced in 50 workshops.

J. E.

TEXTILES

Strike hits exports

INDIA'S "Productivity Year" in 1982 was soured by the year-old Bombay textile strike, of which no end is in sight.

"It is an unprecedented workers' action," says Dr Datta Samant, leader of Maharashtra Girni Kamagar Union (MGKU), spearheading the strike.

"The workers refused to be bullied by strike breakers," asserts Dr Samant, referring to the efforts of the Government and the rival textile unions to restart the mills with skeleton staff.

The loss of production in the 62 Bombay mills is more than Rs 10m so far, about one-third of India's total textile production. But the effect of the strike on domestic textile market is not significant.

First, drought conditions in many southern and eastern States depressed demand for cloth. Secondly, textile mills in the western State of Gujerat are working overtime to produce more cloth. The biggest beneficiaries of the strike are the semi-machinised powerlooms, which enjoy Government patronage by way of rebate in Excise Duty on textiles.

Exports of cotton fabrics suffered last year; they fell sharply because of the failure of Bombay mills to keep to their commitments.

Bombay contributes traditionally some 62 per cent to India's fabrics exports, which were Rs 3bn in the year to March, 1981.

Only 15 per cent of export quota to European Community was expected to be utilised in 1982, while exports to the U.S. were a mere 3.4 per cent of the quota.

If Bombay mills reopen soon, the shortfall in 1982 exports may be made up partly since the Soviets have agreed to carry over to 1983 the unfulfilled 65m metre export order the USSR placed on Bombay mills this year.

When the strike is called off, not all of the 62 Bombay textile mills will be in a position to re-open. At least a dozen mills which were already sick, will not restart since they are unable to sustain the overheads in the year-long strike period. The Bombay textile industry needs a drastic reorganisation—"the difficulties of the textile industry," says a mill owner, "is due to lack of a coherent official policy and inadequate modernisation."

The Janata Government, which was voted out in 1980, had insisted the entire future demand for textiles was to be met by handlooms, one of the three sectors of the textile industry (the other two are mill sector and powerlooms). But the present Government modified it to allow for the expansion of textile mills to reach viable capacity.

The three sectors of the textile industry are to increase production from a combined 9,800m metres in 1980 to 13,300m metres (including 1,400m metres for export) in the year to March 1985.

There is a continuing shift in consumer preference to durable synthetics from cotton textiles.

This points to an increasingly larger role for the mill sector in clothing the population, since synthetics production requires capital-intensive techniques.

One consequence of this changing pattern is the fall in per capita cloth consumption from 15.5 metres in 1960 to *14.75 metres in 1981.*

The present ratio of synthetics to cotton is 1 : 5 and the projection for 2000 AD is 35 : 65.

Nearly 2.1m spindles are to be installed, taking the total spindleage to 23m in 1985. The Government does not favour a big increase from the present 200,000 looms, but technological upgradation of the aging looms—some mills have 30-year-old machinery—itself will increase the weaving capacity.

Radical changes in the textile scenario are seen in the next five years. The new pattern of ownership of the Bombay textile mills will emerge if loss of jobs is to be averted. The Government is not in favour of nationalising the closed units, having been saddled already with more than a hundred mills.

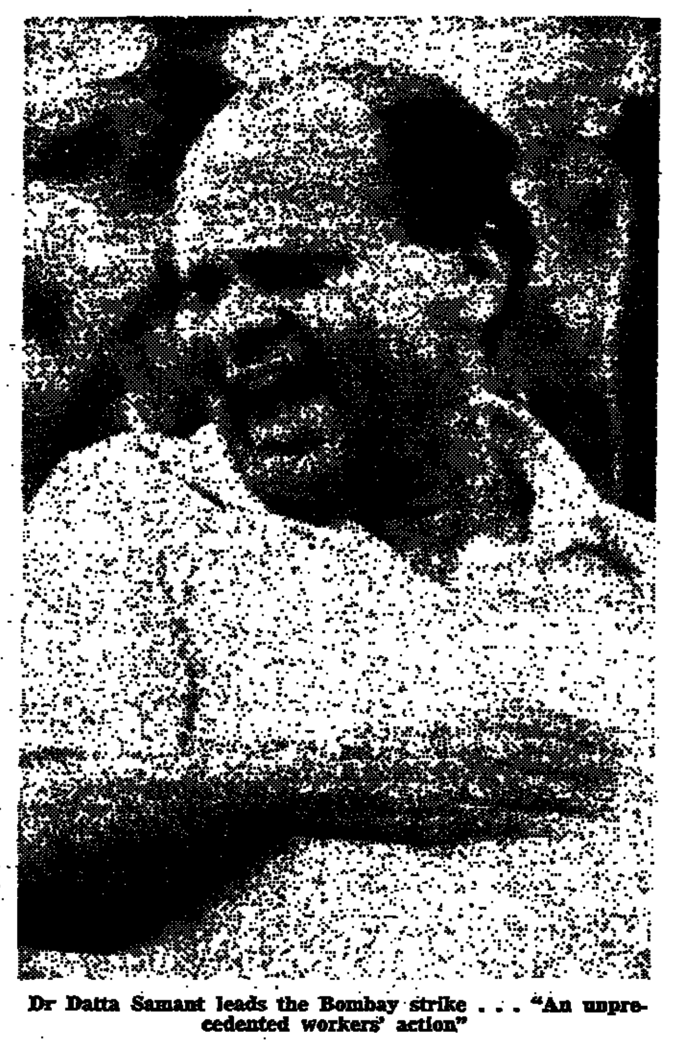
The present 10 per cent share of textiles in India's exports may not be retained. But India would resist pressure from the EEC and U.S. to scrap free access to Indian handlooms. The market for fabrics would depend on the official policy for establishing modern units for export production.

The outlook for fabric exports "is not bright," says Mr R. S. Mehra, chairman of Cotton Textiles Export Promotion Council.

The European community contends the EEC market is not growing at the annual 6 per cent projected in the multifibre agreement and is asking for a cut in import quotas.

The market for fabrics would depend on the official policy for establishing modern mills for export production. Russia has emerged as the main customer for Indian textiles and increasingly larger capacity is being committed to fulfil Russian commitments.

R. C. M.



Dr Datta Samant leads the Bombay strike . . . "An unprecedented workers' action"

SMALL FIRMS

Turning traders into manufacturers

INDIA DEFINES its small-scale sector as manufacturing and repair businesses with investments in plant and machinery of up to about £125,000 (Rs20 lakhs). These businesses—and others in what are called tiny units (Rs2 lakhs maximum investment) and medium-scale ancillary and subcontracting (Rs25 lakhs)—are exempted from many bureaucratic controls and have other positive incentives.

There are 400,000 registered small-scale businesses and maybe as many again unregistered. The 400,000 businesses employed 6.7m people, producing about £5.6bn (Rs9,060 crores) in 1979-80, and the Government wants this to grow by about 75 per cent by 1985.

"MANUFACTURING companies in our small scale sector are basically traders who want to make more money by assembling things, as well as importing them and selling them. They are not usually fired by a European or American ambition to innovate or manufacture."

This comment by an Indian electronics executive underlines some of the problems and contradictions which surround India's policy of boosting small business through various special incentives, including the reservation of 835 specified products for them to manufacture.

The policy has been developed over three decades for economic and social, rather than industrial, reasons. It ranges from village crafts to electronic businesses employing a few hundred people. Its aim is to increase employment and to industrialise backward areas, so reducing poverty, while at the same time helping the consumer by breaking the power of monopoly suppliers and other large companies.

The policy fell into disrepute during the 1977-79 Janata Government because too much was expected of it. Now, however, it is widely accepted and its aims are praised by even its sternest critics in industry.

One problem is a high failure rate—one in 20 of the registered small scale businesses were estimated to be "sick" by the Reserve Bank of India in 1979. But there are possibly more serious complaints of poor design, low quality products, and inefficient servicing, especially in the electronics area where various items including televisions, and very small computers are "reserved."

More than 75 per cent of India's black and white television sets—also ... colour sets hastily imported by the Government and assembled for the Asian Games, last month—are produced to foreign designs along with 55 per cent of tape recorders and 40 per cent of controls instruments and electronic medical equipment.

"These things have been arranged so that the consumer is not exploited on price by large manufacturers, but now the consumer is being exploited on inadequate design and maintenance," is a typical criticism heard in India.

"The Government should pay more attention to attaining good standards of design and product quality when deciding on policies, otherwise we'll always have television sets looking foggy and electric plugs blowing up."

Weston Electronics is one of the larger and more respected of the medium-scale assemblers of entertainment electronics, such as television sets, tape recorders and even video games. Located on an industrial estate on the outskirts of Delhi, it employs 750 people on labour-intensive rudimentary assembly work, sometimes clocking up to 20 per cent rejection rates because of poor quality at various stages of assembly.

The company was set up by two brothers in 1966 to produce pocket radios and, last year, had a turnover of Rs 220m. It estimates Rs 300m for this year.

"Up to 1977 we copied designs and technology from Europe and Japan for television sets, and Taiwan for tape recorders," says Mr Sunder Vachani, one of the founders, who now proudly drives round Delhi in a large black Nissan President car, one of the relatively few imported cars in the capital.

"But in 1977 we realised we had to get on to our own feet because, when you grow up, you can't continue to do the wrong things you do when you are young. Anyway, the restrictions on importing were slowly being relaxed."

So now Weston imports technology and sub-assemblies, and adapts designs to India's conditions. Controls on importing raw materials and technology are still hampering Weston, however. Mr Vachani estimates it could double its present output in a more relaxed régime.

In 1981 it assembled 42,000 black-and-white television sets. Last year it assembled 12,000 colour sets imported for the Asian games by the Government from Korea and Europe, *as well as Japanese Hitachi sets* which it was already producing for India's small video recorder market.

J. E.

FERTILISERS

Private investment sought

CONTRACTS FOR fertiliser plants worth more than Rs 15bn are now being awarded by the Indian Government which is finalising the sites for a chain of six fertiliser projects based on the Bombay High field.

Government-owned companies, private sector financially-based businesses and co-operative will set up two of the plants each.

Four Bombay High gas-based fertiliser plants (two each in the western coastal states of Maharashtra and Gujerat) are already under construction, bringing the total investment in gas-based fertilisers to nearly Rs 50bn in 10 plants in 1980.

The Government has chosen Kellogg of the U.S. for the 1350 TPD ammonia plant of the natural gas-based fertiliser complex in Madhya Pradesh in central India. Snamprogetti will be the main consultant for the Urea plant.

The Government, for the first time, is seeking the support of the private sector for Bombay High gas exploitation

First, the manpower resources of the public and co-operative sectors are not large enough to take on the job of all the 10 fertiliser plants.

Secondly, the Government has a resource constraint and consequently has opted to harness the surpluses with the private companies for building fertiliser plants. It is prepared to amend suitably the fertiliser pricing formula to stimulate private investment.

Fertiliser prices are administered through a complex system of retention prices to manufacturers and Government subsidy to keep the cost of fertilisers low to farmers.

The retention price is worked out on 12 per cent return on "net worth" at 80 per cent capacity utilisation. The proposed amendment is to enlarge the definition of "net worth" to include investment made out of retained profits.

India's perspective plan envisages massive investment to lift the fertiliser installed capacity to 9.65m tonnes of nitrogen and 2.84m tonnes of phosphates by 1990. But demand would continue to outstrip supplies and the gap is to widen from 1.34m tonnes of nitrogen in 1980-81 to nearly 3m tonnes in 1989.

The Government would like the fertiliser industry to move away from petroleum feedstock. Two coal-based fertiliser plants are established to assess the economics of coal gasification technology.

Presently, the fertiliser industry has the problem of accumulated stocks. Demand has not grown at the projected 10 per cent this year.

A sharp 65 per cent rise in fertiliser price in two years and delayed monsoon have affected fertiliser use this year. The Government has planned for making available 6.43m tonnes of chemical plant nutrients, including 1.73m tonnes through imports.

A saving of Rs 1bn on fertiliser imports is projected by lifting fertiliser plant capacity utilisation.

The industry is to produce 4.7m tonnes of fertilisers in 1982-83—an increasing of 49 per cent from 3.14m tonnes in 1981-82.

Plant operations last year were dogged by overwhelming constraints: there was a large-scale infrastructure failure, including shortages of power, coal and transport.

Other chemical industries are languishing. They had registered a negative growth rate two years back and have not yet picked up rapid forward momentum.

R. C. Murthy

MACHINE TOOL INDUSTRY

Take-off still awaited

INDIA'S MACHINE tools industry has been "poised for take-off" or "at the cross-roads," according to newspaper reports and industry spokesmen, for nearly eight years. So far, despite ambitious Government plans for industrial expansion and modernisation, little has happened.

The "take-off" was, and still is, *supposed to be all about the* infusion of numerically controlled (NC) tools into manufacturing industry. India first exhibited an NC machine in 1970, in Hamburg, but, to-date, only three machine tool makers (Hindustan Machine Tools, Mysore Kirkloskar and Cooper Engineering) out of nearly 150 large and medium-scale manufacturers make NC machines, chiefly under licence. Imports are flourishing, and probably account for half the 300 NC units now in use in India.

"There has been no significant investment in machine tools in this country for the past 10 years," said Mr S. D. Sulakhe, secretary of the Indian Machine Tool Manufacturers' Association.

The Government is partly to blame. Only in the mid-1970's did it lift strict curbs on manufacturers changing licences in order to widen their product range.

By then, low levels of profitability, with a few exceptions, had become common throughout the industry. Combined with the after effects of restrictive Government controls and, some industry spokesmen admit, the reluctance of many companies to plough profits back into their businesses, the machine tools industry looks a long way from being able to meet the technological requirements at the sophisticated end of the Government's development plans.

Vigour

That is not to belie the industry's vigour in the manufacture of conventional machines. More than 2,000 manufacturers operate throughout the country, at least 1,000 in smaller companies outside what is called "the organised sector" (companies with investment of more than Rs 2m) in Punjab alone, making anything from hand-held machines to horizontal boring machines and gear hobbers.

In 1981, production throughout the industry was worth Rs 2.29bn, according to Government figures, up sharply from Rs 1.56bn in 1979.

Ironically, the Indians have been able to capitalise to a certain extent on the widening technological gap between themselves and the major foreign manufacturers by sharply boosting exports of conventional machines to other developing countries and, in some cases, to developed countries.

"We still build machines here that the Europeans and Americans could not make profitably," said one industry specialist. The value of Indian machine tool exports rose to Rs 300m in 1981-82 from Rs 80m in 1975-76, according to Government figures.

The industry is dominated by HMT's seven plants, which account for nearly 40 per cent of total Indian production. The state-owned group, based in Bangalore, has consistently led the others in inovation.

Smaller companies

Dr S. M. Patil, HMT's chairman until five years ago, and still a major independent voice in the industry, argues that the big producers should stop manufacturing low technology equipment and concentrate on more sophisticated machines. Smaller companies would be able to produce better conventional machine tools at a fraction of the majors' costs, he believes.

In theory, he has the support of many industry spokesmen, but combined with the reluctance (in some cases inability) of big manufacturers to commit themselves to NC technology there are two other hurdles.

- First, the Government has been content to allow the import and manufacture of idigenous licensed NC machinery on a relatively small scale to fulfil specific requirements, but it is still wary of the effect that widespread use of sophisticated machines might have on employment.
- Secondly, the small, family-run smaller companies are notoriously conservative.

Even the production of conventional lathes, boring and milling machines might be too great a hurdle for many of them to accommodate.

Foothold

While the debate about who should make what continues, the Government's production and consumption figures grow increasingly ominous for the industry. Compared to the rise in domestic production from 1979 to 1981, consumption rose from Rs 1.83bn to Rs 3bn and the industry share of the local market fell from 85 per cent to 76 per cent.

Imports are filling the gap, and this is worrying Indian machine tool companies.

Although West Germany, with sales to India worth about Rs 208m in 1979, leads the field, the Japanese are rapidly gaining a foothold in the market, sometimes discounting up to 50 per cent off list prices for machining centres, which are increasingly in demand.

Now the Indians are trying to persuade foreign manufacturers to secure licensing arrangements with local manufacturers to build NC machines, arguing that there is money to be made on exports because of low labour costs.

The industry has also persuaded the government to consider raising royalties paid to foreign collaborators, on machines sold in India, from 5 per cent to up to 10 per cent.

A number of Indian companies are understood to be talking to German, Swiss and U.S. manufacturers on roughly the same lines. The Japanese have shown little interest in licensing.

Although import tariffs of up to 60 per cent might blunt the Japanese edge on price to some extent, their machines are collecting a growing band of influential admirers. The chairman of one of India's most sophisticated public sector manufacturers said he would not even consider buying non-Japanese machine centres.

Peter Bruce

THE EUPHORIA on India's oil exploration front is over, after a string of oil discoveries at three different locations in the middle of last year.

Oil exploration in Palk Bay off the east coast at the southern tip has been suspended as the field is not commercially viable The offshore Godavari Structure has proved to be the most difficult and conditions there are more adverse than in the North Sea. There is no verdict yet on the efforts at two other locations—the Andaman Islands and offshore Pondicherry.

Major investment decisions so far are confined to development of proven oil reserves in Bombay High fields on the west coast. The government has approved the Rs 25bn plan of Oil and Natural Gas commission, one of the two Government-owned organisations engaged in oil exploration and production, to lift oil production in Bombay High to 21m tonnes in 1984-85 (April-March) and 2.25m tonnes of associated gas and three million tonnes of free gas.

ONGC was to produce originally 12m tonnes of oil in 1984-85.

The Government has postponed decision on investment in other areas. The ONGC has proposed a total investment of Rs 47bn (including Rs 25bn for Bombay High) in the next two years. This is part of the

OFFSHORE OIL

Resources crunch forces rethink by Government

10-year ambitious perspective plan to raise crude production to 60.5m tonnes in 1990.

The resources crunch has forced the Government to weigh carefully the gains of committing funds to risky oil exploration in new areas. But the situation is becoming desperate. Bombay High alone cannot sustain the medium and long-term oil needs of the country. Demand for petroleum products is rising at an annual rate of seven per cent and, as the economy develops, the demand for oil is expected to accelerate at an annual ten per cent.

The Indian Government would have favoured fixed interest-bearing credits from the World Bank, if not the soft loans from the International Development Association, the World Bank subsidiary, for all its oil exploration ventures. But the Reagan Administration influenced the World Bank to align the loan package in favour of increased market borrowings and participation by international oil companies in exploration and production in India.

Apparently, the Indian Government has seen reason in the World Bank argument that there is no point in reserving all high potential areas for the national oil exploration agencies.

In the latest invitation to world oil majors for tenders, blocks in oil-bearing deep offshore Godavari Structure are offered for exploration for the first time. In all, 50 offshore and onshore blocks in Krishna and Cauvery Basins, Bombay offshore, besides Godavari are opened for bids.

The decision to throw the Godavari Basin open to oil majors is influenced by two factors. First, the Government is committed to the International Monetary Fund to bring about structural adjustments in its economy in the medium term for the $5bn loan. Time is running out.

Secondly, drilling in Godavari deep offshore involves sophisticated technology, which is not easily forthcoming.

The 37 companies invited to bid this month have been carefully selected. The Government has moved from its rigid posture, adopted in the first round of bids last year, and appears ready to make concessions. It has shown willingness to negotiate on the freedom of oil companies to export the profit component of oil.

The income-tax payable by the companies is reduced to 56.375 per cent from 73.05 per cent, although a new 15 per cent levy on oil production, called "equivalent of royalty," is proposed but interest of the world oil majors in new areas, for exploration is one the wane with falling oil prices.

The question is: how far the blocks that are offered and the concessions made, will appeal in outweighing the adverse market conditions.

R. C. Murthy

NUCLEAR ENERGY

Troubles hinder development

WHEN INDIAN scientists successfully exploded what the Government described as a "peaceful nuclear device" in the remote Rajasthan desert in 1974, the national "ego" received a tremendous boost. But that event was the beginning of continuing troubles for India's nuclear energy programme.

The U.S. had second thoughts about supplying enriched uranium for the 400 MW nuclear plant at Tarapur, Maharashtra. The Canadians turned back ships carrying nuclear reactor components, and talks stalled with the French over fast-breeder reactor technology.

The troubles continue to retard development of India's nuclear energy industry. Tarapur has been running well below capacity as nuclear fuel is conserved. France has now stepped in to supply the necessary enriched uranium to fill the vacuum created by the refusal of the U.S. to sell the fuel and, hopefully, Tarapur will start generating normally again.

The only other operational plant, at Kota in Rajasthan, has two units, but difficulties in obtaining heavy water have cut its designed capacity of 440 MW to less than half. The Kota plant generates even more erratically than Tarapur, so the country's only two operational nuclear power stations are not a good augury for future plans.

In view of the problems, the Atomic Energy Department has been forced to lay stress on maximum indigenisation of future plants but this inevitably means delays. The target accepted by the Government of achieving a 10,000 MW nuclear generating capacity by the end of the century is clearly unrealistic. Sceptical independent observers think that something like a quarter of this will be possible.

As it is, progress is slow. The third nuclear power plant at Kalpakam, near Madras, in Tamil Nadu State, has just one of its units nearing completion and it will be some time before even this starts generation. Only the preliminary civil engineering work on the fourth plant at Narora, in Uttar Pradesh, has begun. For the fifth plant, only the site—Kakrapur in Gujarat—has been selected.

The immediate problem is the scarcity of heavy water which has affected the working of the Rajasthan plant and held back commissioning of the Madras unit which needs this as a coolant for the natural uranium reactors. The Government is determined to maximise production of heavy water in India and the Soviet Union's offer to meet the shortage is being accepted as a temporary stopgap.

The heavy water plants at Tuticorin, Baroda and Nangal are operating well below capacity. The current target is a mere 80 tonnes a year instead of the 160 tonnes that they should be producing together. Actual demand will be 426 tonnes by next March and as much as 1,560 tonnes by 1986.

New heavy water plants at Kota and Talcher are expected to be commissioned in a few months.

The Government seems determined to go-it-alone because of previous experience with foreign suppliers in the U.S. and elsewhere. Indian scientists have perfected the technology for pressurised heavy water reactors, using natural uranium as fuel, and they mean to carry out the programme based on this method.

For this reason, the Government is not expected to accept the recent Russian offer to instal a 1,000 MW nuclear power plant on a turnkey basis even though it has agreed to examine the technical feasibility.

According to the Atomic Energy Department, the pressurised heavy water reactor technology has the potential to supply power at competitive rates. It admits costs have been rising and project schedules have gone haywire because of delayed deliveries of equipment.

Hence the attempt to standardise designs and place batch orders to enable Indian manufacturers to become efficient and cost-effective.

K. K. Sharma

TEA PRODUCTION

A year of mixed fortunes

A WEAK price trend at the auctions throughout the early half of 1982 considerably worried the Indian tea industry. It also felt puzzled that despite a lower tea crop in India, as well as abroad, the market was being so unresponsive.

Prices at the local auctions have, however, steadily improved in the second half and at the end of October they were distinctly better than during the corresponding months of the previous year.

This has improved the outlook noticeably for the industry, although concern continues to be expressed about the weakness of sterling which has been affecting the rupee value of the exporters income adversely.

The tea crop in 1982 it now seems will be about 545m kilos.

The north Indian crop pecked up in the latter half, largely neutralising the damaging effects of a prolonged drought and heavy rains at the wrong time. By and large, 1982 was a year of mixed fortunes and not a general disaster, says Mr Deepak Roy, chairman of J. Thomas & Co, the leading tea auction firm in India.

On a longer view of the supply demand outlook, the relative stagnation in tea production in India, the world's largest producer consumer and exporter of the commodity, should be a matter of concern.

As Mr C. S. Samuel, chairman and managing director of Brooke Bond India (an important firm in the tea industry), points out, the growth in tea output between 1967 and 1977 was good, rising from 385m kg to 556m kg, but since then it has moved sluggishly between 560m kg and 570m kg. India's current annual domestic consumption is about 370m kg and is growing by about 5 per cent to 6 per cent per year.

"If this trend of production and consumption continues," he stresses, "before long we will eat into the exportable surplus. Perhaps by the year 2000 we will have much less tea for export and our foreign exchange earnings from tea exports will show a major decline."

According to reliable projections, India should produce 1400m kilograms of tea by the year 2000 and if it is to export 450m kilograms by then and at the same time cater to a growing domestic market.

This means tea output will have to increase two and a half times from the present level in a matter of just two decades which seems to be a far cry at the moment. The industry does not have the funds nor additional land to carry through a development programme of such proportion.

"Finance continues to be a major headache," says Mr S. K. Mehera, chairman of Tata Findlay (renamed Tata Tea), the largest tea company in India because the enormous increase in costs has so eroded the profit margin of the industry that it has now little reserve to be ploughed back for development.

Capricious

Commercial banks do not extend adequate credit even for working capital purposes and whatever profits the gardens manage to earn are largely eaten away by a highly irrational and capricious system of taxation both at the state and central level. Nearly 70 per cent of the profits are taxed away.

All production inputs such as fertilisers, pesticides, weedicides, coal and electricity, cost more. The 1m workforce engaged in the tea industry have demanded and been given a substantial wage increase recently.

Auction prices during the current year, especially in the latter half, have improved, in some cases considerably, yet the profitability of the industry is still low by today's market standards for industry as a whole.

Indeed, it is a commonly heard complaint that because of the financial constraint, many gardens have been unable to buy enough fertilisers and other inputs vitally essential for growing a good crop. Consequently output has not been rising.

If the tea industry is unable to absorb the increasing costs through higher productivity, it is not because of inadequate efforts to modernise operations, but because of the inability to extend plantation areas which could bring substantial economies of scale. Indian gardens already have the highest production of any in the world.

State governments, in their zeal to apply land reform measures at the wrong place, have taken away all unused land from the gardens which could be devoted to new planting. The industry now needs the land badly and, despite numerous representations to state Governments, the lands have not been returned.

On the other hand, the Government of India's effort to grow tea in non-tea growing states have had little encouraging results so far, and no significant addition to tea output has resulted.

However, the industry is making efforts to produce more quality tea to maintain export levels and, if possible, expand.

The industry is worried that despite prolonged negotiations at countless meetings under international auspices, no tea agreement to regulate export flows to the world market is yet in sight.

Despite a large domestic market, exports are still very vital for the Indian industry's own financial health, as well as the country's export income in the context of a persisting balance of payments crisis.

A better unit value for exports is what the industry basically needs.

With China threatening to disrupt the equilibrium in the world tea market, where competition from new producing nations has been increasing, India has every reason to feel anxious about the future of its tea exports.

P. C. Mahanti

TOBACCO

Record export earnings

THANKS to an ever-growing foreign and domestic demand, tobacco now occupies an important place in the Indian economy. It supports not only 750,000 people engaged in the cultivation of a Rs 30bn industry making various products, but also numerous traders and exporters all over the country.

In the current context of a balance of payments crisis, tobacco's contribution to export earnings has been particularly encouraging.

Exports of tobacco and tobacco products in 1981-82 touched a record Rs 1.93bn, some 56 per cent higher than the previous year's figure of Rs 1.24 bn, which itself was a record.

In volume terms, exports reached 107m kilograms, roughly 25 per cent of the total output, beating by lengths the earlier record of 93m kilograms exported in 1972-73. The officially set export target for 1982-83 is Rs 2bn.

The 1981-82 record export earnings were not only on account of a volume increase, although that was a major contributory factor, but were due largely to a higher value per unit of export.

From a mere Rs 6.60 a kilogram in 1970-71, it rose to Rs 18.08 in 1980-81, and to Rs 18.12 in 1981-2.

The trend during the past year continued to be as satisfactory.

India is now the second largest exporter of Virginia flue-cured tobacco, next to the U.S.

In the world league of tobacco producers, India now occupies the third place, next to the U.S. and China. Out of a total world output of 5.3bn kilograms in 1980-81, India's share was 447m kilograms, while the U.S. and China produced 806m kilograms and 797m kilograms, respectively.

It is interesting to note from the latest tobacco export statistics that China became the second largest customer of Indian tobacco in 1981-82. It took 28.8m kilograms and continues to take a keen interest during the current year, as well.

The Soviet Union topped all importers with 33.7m kilograms and promises to take even more.

The UK, which traditionally was the largest importer of Indian tobacco, has now been pushed down to third place. Britain maintained her position until 1978-79 when it took 30.5m kilograms, but the purchases dropped sharply to 20.2m kilograms in 1979-80 and then further to 17.3m kilograms the following year.

In 1981-82, UK imports of Indian tobacco recovered to 19m kilograms, but it was still way behind China and Russia. This is probably due to increasing competition from the U.S. in the UK market and from the 48 CAP countries which are enjoying duty-free entry into the European Common Market of which the UK is now a part.

Russia's purchases of Indian tobacco has grown dramatically over the past decade. It took only 6.9m kg in 1970-71, stepped it up to 18.8m kg the next year and since then has kept increasing her purchasing.

With the rapid expansion of trade envisaged under the bilateral trade agreement for 1982-83, the country should import more in 1982-83.

It is in the European Economic Community the world's largest market for tobacco that India's exports are not making the headway that the country needs to make at least to reduce the trade gap.

P. C. M.

COALMINING

Cash shortage holds up investment

INDIA SET an ambitious production target of 165m tonnes for coal in its Sixth Plan (1980-1981 to 1984-85).

Early last year there was some excitement about the improved performance of the nationalised coal sector in 1981-1982. Production went up by 9.6 per cent to 125m tonnes, a million tonnes more than the revised target of 124m tonnes for the year.

Coal India also made a profit for the first time since nationalisation in 1972-73. Productivity was said to have risen, with output per manshift having gone up to 0.78 tonne in 1981-1982 from 0.71 tonne in the previous year. But even this higher figure represents one of the lowest outputs per manshift in the world.

The Central Government's response to the coal industry's request for higher prices has meant that prices have risen by as much as 120 per cent between June 1979 and February 1981. But much of the increase has gone to meet additional interest burdens and higher wages and power tariffs.

Despite the fact that wages now account for nearly 65 per cent of the cost of coal production, productivity remains abysmally low.

A report published by the World Bank in September last year on the Indian coal sector says India is likely to achieve a maximum coal production for 1984-85 of 155m-160m tonnes.

Shortfall

By comparison, says the report, unrestrained demand is estimated to be around 175m tonnes, indicating a relatively large shortfall between production and demand for the next several years.

Experts in India's Department of Coal similarly expect coal shortages to emerge, although they place expected shortfalls at about 16m tonnes. They say the main sectors facing shortages will be power and cement.

The planners demand estimates for coal have gone astray partly because the plant load factor of the power sector has improved. In its revised estimate, the power department has asked the coal department to supply 78m tonnes of coal instead of the original 65m tonnes.

At least two new power stations — Vindhyachal and the UK-funded £110m Rihand coal-fired power station in Central India, have further increased coal demand. Coal demand by the cement sector is also estimated to be roughly 3m tonnes more than the projected demand of 9m tonnes.

The shortfall in demand is partly a result of cutbacks in investment projects by the authorities during 1975-77 when demand for coal in the country was falling due to a slowdown in the economy. But over the past several years, the Government has increased the pace of its investments. Twenty major projects sanctioned during 1979-80 have a production potential of nearly 38.89m tonnes, with an investment of Rs 3.7bn (£197m).

On the basis of increased coal demand, however, the Department of Coal believes that at least another Rs 3bn will be required to commission needed coal capacity. Having already spent the bulk of its total Sixth Plan allocation, the department is suffering from severe shortages of cash leading to an almost total stoppage of new investment.

The financing requirements of the coal sector are an ever increasing burden on the Central Government at a time when it is already facing difficulties allocating an increasing share of its resources to the energy sector.

Experts say there is a need for reassessing methods of coal transportation in particular, as operational delays on the railways have resulted in declines in daily coal loadings and movements of coal.

Infrastructural constraints such as serious power shortages and poor industrial relations continue to plague the coal sector. India's vast coal reserves, estimated at 90bn tonnes, remain unexploited, while the country's oil import bill goes on eating up export earnings.

Dina Thomson

JUTE

Uncertainty haunts the market

AFTER TWO long years of depression, the Indian jute industry is beginning to see light at the end of the tunnel.

Total sales including exports have been moving upwards over the last three months and there has been a better flow of enquiries from foreign buyers, including the Americans and the Soviet Union.

The Indian Government has banned the use of recycled bags in sugar, cement, fertiliser and foodgrains packing industries. All these have helped push up prices. And to ensure that exports keep moving in face of stiff competition from Bangladesh and synthetics the Government has renewed its subsidy scheme for another term with some changes in the rates.

A prominent local jute baron, Mr B. D. Bangur feels that things for the jute industry are better now. However, some in the industry fear that the recovery may be temporary or a flash in the pan.

If the U.S. interest rates are hoisted again and housing construction activity there suffers a setback, or the Soviet Union shifts its buying to Bangladesh—according to market sources, the switch has started—or the producers of synthetics decide to cut prices or the next rabi harvest in India fails, just as the khariff crop has done, things could again change for the worse, they say.

This feeling of uncertainty has, of course, for long haunted the crisis-prone and highly cyclical jute industry. Even though the home market consumes nearly 68 per cent of jute goods, the psychology of uncertainty persists.

The reason is simple, of course: the domestic market consumes relatively coarse and low value products, such as sacking bags, mainly for packing the products of agriculture or agro-industries, while the high value products, like hessian and carpet-backing, have to be exported.

The United States remains the most important purchaser of carpet-backing, where the industry earns the highest added value, and Russia has emerged as the single most important buyer of hessian, another high value item. If these two countries go slow with their purchases, there is a crisis atmosphere in the industry.

Escape route

The only way the industry can escape out of this trap is to further diversify its product-range and sell more of its products to other customers than Russia and the U.S., especially to West European countries, Japan and Australia and other promising markets.

This is exactly the direction in which marketing efforts are being steered. New products developed include fire retardant fabrics to be used as decorative fabrics for wall coverings, underlay in motor vehicles and overlay on foam or rubber cushions, decorative jute fabrics as wall coverings and home furnishings.

It needs stressing, however, that the chief use of jute so far has been as a packaging material, and its use for decorative purposes caters to a limited market, so India must continue to rely on its traditional products for earning foreign exchange as well as to keep itself in sound financial health.

The Indian Jute Mills Association (IJMA) is of the view that it is high time a dual pricing policy was permitted to the jute industry. Under this concept there should be one price for the domestic market and another for exports, the domestic price taking care of all production costs. This would make exportable goods more competitive as the pricing would be flexible.

The IJMA chairman, Mr R. V. Kanoria, explains that "the pricing in the international and domestic market is below cost of production. The industry started out as the major exporter of products and the domestic sales of the industry was very small — some 15 per cent of the total output in the '50s.

"Now only 30 per cent of the products are exported, yet the pricing is related to the export market, and therefore much below the cost of production."

The Government, of course, remains unimpressed by this plea. It would like the industry to update its equipment and technology and thereby become more competitive. Public financial institutions such as the Industrial Development Bank of India and the Industrial Finance Corporation have been asked to provide funds at a concessional rate of interest. Only a very few of the mills have taken advantage of this.

P. C. M.

THE MOTOR INDUSTRY

Links with Japan give a boost for expansion

INDIA'S AUTOMOTIVE industry is set for a decade of rapid development which will radically change both the country's products and its industrial link-ups.

After some 20 years in the doldrums, the past 12 months have seen the start of the transformation of the industry and the pace of change is accelerating faster than in any other sector.

Two events have stimulated this development. First, the Indian Government wants to quadruple by 1990 its output of cars, light commercial vehicles and two-wheelers.

Secondly, the government has given approval for Maruti Udyog a state-owned company, linking up with Suzuki of Japan to produce a small 800cc "people's car."

Nearly a dozen other deals are now being negotiated by Japanese manufacturers with Indian companies despite a slump in some areas of the market. Component manufacturers in India, Europe and Japan are now deciding how to protect their existing Indian business or how to expand to meet the demand for components that will satisfy Japanese standards.

The Government plans that the annual output of all motor vehicles should rise from 600,000 to 2.5m by 1989-90. The production of cars is set to go up from present output levels of 31,000 to 65,000 a year, mopeds and small motor cycles from 130,000 to 850,000, scooters from 214,000 to 800,000 and light commercial vehicles from 17,000 to 75,000.

The first sign of the major developments that this plan would bring emerged at the beginning of last year when Maruti, hunting for a partner abroad, switched its attention from European manufacturers to Japan. Suzuki suddenly appeared as the front runner and in the summer won a contract for its 800cc car with van, pick-up and other derivatives, undercutting the European competition by up to 50 per cent on some parts of its tender.

Attracted by a captive, under-developed market at a time when their expansion in the U.S. and Europe is being resisted, other Japanese manufacturers then shed their traditional antipathy towards involvement in Indian industry and moved in rapidly.

In the two-wheeler market, Honda is negotiating with Majestic of Ludhiana in the Punjab to produce mopeds and with Kinetic Engineering of Pune, near Bombay, for scooters.

Motor cycles

Kawasaki is negotiating with Bajaj Auto, also of Pune, for motor cycles, Yamaha with Escorts of Delhi for 250 cc motor cycles, and Suzuki with a company called Krishnan outside Banglalore, set up by the TVS motor component group of Madras for 50cc and 100cc machines.

Most of the companies are thought to be applying to the government for 200,000 units a year production licences which, under licensing arrangements, can automatically rise by 25 per cent.

In the light commercial vehicle market, Toyota is envisaging a 15,000 units a year licence with Delhi Cloth Mills (DCM), a Delhi textile-based company that is diversifying widely, and a deal has been signed.

Smaller targets of 12,000 initial units are believed to have been set in other light commercial vehicle talks. These involve: Mitsubishi which has broken off talks with Renault and is negotiating with Eicher Goodearth of Delhi; Daihatsu with Escorts, a Delhi company which has parallel negotiations close to agreement with Volkswagen of West Germany; and Nissan with Allwyn, a regional state-owned company in Hyderabad which has just received government approval for the necessary technical collaboration deal.

Suzuki is thought to have broken off talks with the Punjab Industrial Development Corporation.

All these companies if they finalise deals, will start with the majority of manufacturing taking place in Japan for Indian knock-down assembly.

Maruti has a fixed programme for indigenisation over about 5 years, but there is doubt about what some of the other companies will do. The Indian Government will insist that agreements should provide for gradual indigenous production.

In the light commercial vehicles sector, in particular, the production figures now being discussed would probably not be economical. So there are two schools of thought in India about what will happen.

One suggests that the Japanese will try every ruse to stay with knocked-down assembly, arguing that Indian component quality is inadequate and that they might even be prepared to shut down if necessary.

The second theory is that applications will be made later for bigger production units that provide the necessary economies of scale.

Several of the Japanese companies—including Suzuki, Toyota and Honda—are thought to be prepared to demonstrate their commitment by taking 26 per cent equity stakes in their two-wheeler and light commercial vehicle tie-ups, as Suzuki has done in the Maruti car project. Toyota has a 26 per cent stake in its deal with DCM which has 33 per cent, leaving 41 per cent for other investors.

Suzuki has also agreed to the provision of up-to-date technology for 10 years to Maruti and on the importing of Japanese management and technology know-how. The hope is to cut rejection rates of cars because of quality problems from Indian levels of perhaps 12 per cent or more to levels nearer European standards of about 2 or 3 per cent.

As a result of these link-ups, Japanese components will soon start to make a big inroad into the Indian industry. Most existing component manufacturers originate from Europe and work in jointly-owned Indian companies. They now face the risk of being elbowed out of the new business by the Japanese choosing to link-up with other Indian companies that have not been traditional European-oriented manufacturers.

An offshoot of DCM, Shriram Fibres, is considering diversifying into automotive products and is in negotiations with one group of Suzuki's car component suppliers in Japan. Tiam, a Tube Investments offshoot in Madras is also planning to enter the market for the first time in India.

Interested

Established European companies in India, such as Lucas and Dunlop, which have connections with automotive companies in Japan, are also gearing up to bid for the rapidly expanding market.

Meanwhile, the challenge of Maruti-Suzuki is causing concern at India's two older car companies, Hindustan Motors of Calcutta and Premier Automobils of Bombay. Both are facing falling order books for their European-based saloons derived from the Morris Oxford and Fiat 1100.

They are updating these models with new bodies from discontinued Vauxhall Victor and SEAT 124 ranges.

These cars will sell at prices from 70 to 100 per cent higher than those planned by Suzuki. Hindustan is now hunting around the world for engines and gear boxes that could be inserted to improve performance and fuel economy. The future of Premier is being reviewed.

Renault, which lost out when Suzuki won the Maruti contract, is one of many companies interested in this engine and gearbox work.

It is also bidding for a contract to import and then assemble 9-ton and 10-ton trucks, in partnership with the Army. Its main rival is MAN of Germany which already has major Army orders.

Other companies planning expansion include Ashok Leyland, linked with BL of the UK, even though it is on short time.

Demand for its lorries and buses has fallen away in the past year because of credit restrictions, improved railways services, and tight spending budgets in state agencies running bus services.

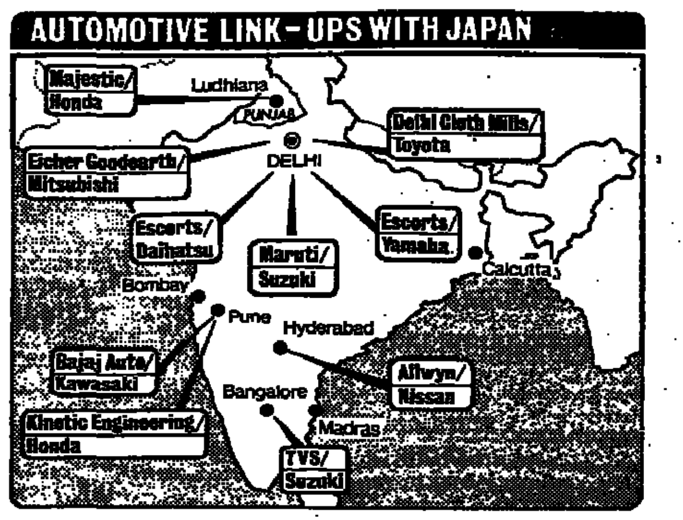
So, the main expansion during the next few years will be partly in the cars sector (where Reliant of the UK is also involved in a small Bangalore project, Sunrise Auto), and especially in the two-wheeler market (where Piaggio of Italy has a new moped and light scooter co-operation deal with Lohia Machines of Kanpur).

There is considerable debate in India about whether the Suzuki car, in particular, will find a market in a country where the bullock cart and two-wheelers are the main modes of transport.

What is certain is that the Japanese are set to shake up a fairly backward European-dominated industry, maybe at the same time injecting some of their managerial sense of purpose and quality of production.

John Elliott

AUTOMOTIVE LINK-UPS WITH JAPAN



Fibreglass bodies of the Dolphin small saloon and estate car are put through final stages of assembly at Sunrise Auto's factory in Bangalore. Derived from the Reliant Kitten in the UK, the car will compete for the same market as the Suzuki models to be launched in a year's time by Maruti Udyog.

SHIPBUILDING

Orders secure but profits stay uncertain

COMMODORE A.K. SAKAR, chairman and managing director of the Government-owned Garden Reach Shipbuilders and Engineers in Calcutta, admits that it is virtually impossible for his company to make merchant ships at a profit. He is not alone, and neither is he particularly concerned.

Only one of India's four main shipyards, all of which are in the public sector, is making regular profits. Yet they are all working to capacity, and have arguably the most secure order books in any industry in India.

They are virtually guaranteed work because the industry is capable of meeting only about 20 to 25 per cent of the country's merchant shipping requirements.

The yards also have a captive defence market in the growing needs of the Indian Navy. Port Garden Reach and the much bigger and profitable Mazagon Dock in Bombay are answerable to the Ministry of Defence—"we will always have naval work," says Vice-Admiral N. P. Datta, Mazagon's chairman.

The real key to Mazagon's profitability, however, is in offshore platforms built for use in the nearby Bombay High oil field. Mazagon has delivered 11 platforms to the Indian Oil and Natural Gas Commission in the past five years.

Having recognised the potential offshore, Datta was quick to acquire new technology which helped to launch the work on a profitable path.

"From the word go we were careful about our costs," he says. "I'm glad to say that in this one field we are more competitive than international prices."

Mazagon claim they can construct platforms at up to 15 per cent less than their international competitors, and plans are under way to begin building process platforms and jack-up rigs.

If Indian oil exploration slows, the management believe export orders should not prove too difficult to win.

The cost element has been crucial to Mazagon's offshore ambitions. Elsewhere, including Mazagon's conventional shipbuilding, the industry's leaders complain that their costs are too high. They say that they have not been able to take advantage of comparatively cheap, and skilled, labour because of a continued reliance on outdated equipment, disruptions caused by the monsoons and high Government-controlled prices of raw materials. Mazagon officials estimate that they pay up to 30 per cent more for domestic steel than the international average.

The industry has had some success in persuading the Government to grant it the same level of relief from taxes and levies as export industries, but this solves only part of the cost problem.

Tendering

Echoing complaints sometimes heard in Europe, Cmdr Sakar recalls tendering for a contract where a South Korean total price was lower than the cost of his raw materials.

The Ministry of Transport and Shipping runs the two main commercial yards: India's first, at Vishakapatnam on the east coast and the country's newest yard at Cochin, in the south. Both yards have order books that would bring tears to the eyes of a European shipbuilder.

Cochin shipyard which in 1981 launched its first ship—at 77,000 tons dwt, India's biggest ever—after a delayed start, is reported to have similar orders to carry it through to the end of the decade. The Hindustan Shipyard at Vishakapatnam, currently in the throes of a Rs 600m ($40m) modernisation programme, has orders for at least 10 ships, including seven of a standardised 27,000 tons dwt design.

The Cochin yard, developed at a cost of $145m, had planned to break even by 1984. This prospect must now be doubtful because raw material costs, especially steel, have risen dramatically.

Similarly, the *Hindustan* yard may also have to tighten its belt for longer before its investment in expansion begins to show a return.

Peter Bruce

ELECTRICITY

Search for supplies abroad

SERIOUS SLIPPAGES in the programme for electricity generation, due to project construction delays and defective maintenance of existing power stations, combined with financial constraints, have forced the Indian Government to look to suppliers abroad.

There is no dearth of such suppliers because of a slump in the electrical industry in Europe, Japan and elsewhere. If the Indian Government wants, it could take up offers from Germany, Switzerland, France, Italy, Austria, Sweden and Canada, in addition to the British, Soviet and Japanese bids that have either been accepted or are being negotiated.

Most of these are for "super" thermal plants of a capacity of more than 1,000 Mw. They are accompanied by attractive financing packages involving soft loans, export credits and government grants. The problem is that the Indian Government must look carefully at its *foreign debt management* and for this reason cannot take up all the offers made, no matter how attractive they are.

For the present, the only signed agreement has been with Britain for the "super" thermal plant at Rihand, Uttar Pradesh, under which Northern Engineering Industries will supply equipment worth £231.5m.

Apart from a British Government grant of £117m, soft loans have been arranged by British banks for a complete financing package.

Similar credit arrangements are being made by the Russians for another "super" thermal plant at Waidhan while Japan is negotiating for a plant at Apnara, in Uttar Pradesh, for which nearly 80 per cent of its annual aid commitment to India is being earmarked.

Other offers are being examined, but it is un[illegible] that they will win early clearance and it is possible that they will selectively gain approval during the seventh Five-Year Plan period, starting in 1985.

The Energy Ministry has been forced to look abroad as it became *increasingly* clear that the Sixth Plan target of setting up a capacity of 19,666 MW was slipping out of its grasp. This received added urgency when financing from the World Bank's soft-loan agency, the International Development Association (IDA) became uncertain because of difficulties in replenishing its funds.

The ministry is also impeded by the slow delivery of equipment for power stations by the public sector's Bharat Heavy Electricals, and the mounting complaints that its generators were malfunctioning. The company is now involved in obtaining technology for high-capacity power stations with foreign collaboration. This is proving to be a slow process and is another reason for looking abroad.

Other plans to increase generation include encouraging factories, both in the private and public sectors, to establish "captive" generating sets for their own use so that they do not depend on Government-owned stations. Such captive "Gensets" of various capacity are now common all over India. Although they are often rendered *unoperational* because of diesel and fuel shortages. Supplies of "gensets" come from both Indian and foreign companies.

Power plants

Many private companies have offered to set up their own power plants for commercial sales of electricity, because it is an established fact that such privately-run stations (such as the Tata Electricity Company in Maharashtra) are more efficient than their public sector counterparts. But such private investment, although often encouraged encouraged by official pronouncements, has still to receive clearance.

Much of the trouble in the electricity generation sector lies with the inefficiency of the politics-ridden state electricity boards.

The Planning Commission and the Ministry of Energy is now of the opinion that new capacity should be directly under the charge of New Delhi, but this may be difficult to carry out in practice. It is possible that a new authority will be set up if the Government can persuade the states to agree to this proposal.

Against the target of 19,666 MW of new capacity during the Sixth Plan (1980-85), the anticipated achievement in the first three years is 7,480 MW, leaving an impossible balance of 12,186 MW for the last two years.

Indications are that at least 5,000 MW of capacity will spill into the Seventh Plan.

Since the gestation period of new plants is something like five years, the crippling power shortages are certain to continue.

K. K. Sharma

NEW PROJECTS IN BANGALORE AND MADRAS

Private sector plans

TWO OF the most advanced schemes for private sector companies to combine to build small power stations and produce electricity are being developed in Bangalore and Madras.

The Bangalore project is being led by M. A. S. Lakshmanan, chairman of Senapathy-Whiteley. About 10 companies have formed Energy Development to build two or three mini-hydro power stations at canal drops, which would provide them with 18 per cent of their electricity needs. This would still leave a 15 per cent shortfall on present power cuts of 33 per cent but more stations might be developed later.

The Karnataka State Government, which covers Bangalore, has given outline permission for two sites which would generate about 4MW. The electricity would be distributed to the local public sector electricity undertaking which would be paid a fee.

The companies expect to put up one-third of Energy Development's capital, believed to total £4m, and the remainder is being sought from other sources. The Government is not being asked for subsidies.

The Madras project is much larger but is not so far ahead. It is being led by Kothari, a diversified group, and by Ashok Leyland, which makes trucks. These companies would need only about 50 to 55 per cent of the electricity generated so other companies would have to join to make the project viable.

They are planning for a 120 MW thermal station costing £120m to £150m and want government subsidies. The electricity would be sold to the local electricity undertaking and bought back. The companies are interested in foreign contractors offering to supply equipment with supporting financial packages.

Although figures have not been finalised, both projects appear to be based on producing power at roughly twice the cost of local public sector supplies because there would be no economy of scale. But this would be about half the cost of the diesel generators run individually by most large factories and would have the advantage of having guaranteed supplies during power cuts.

J. E.

ALUMINIUM

Energy problems felt on two fronts

THE ENERGY cost problems that have plunged the world's aluminium industry into crisis have a cruel, extra dimension in India.

The six smelters currently producing in the country last year had a combined output of about 217,000 tonnes of ingot, less than 60 per cent of their installed capacity, almost entirely because of cuts in power generation.

"We could have sold 300,000 tonnes of aluminium in India last year," said Mr R. K. Palit, commercial director of Indian Aluminium, based in Calcutta.

India's power shortages are chronic and affect all industries, but they have specially serious effects on the aluminium producers—Indian Aluminium, Hindustan Aluminium, and by far the smallest, Madras Aluminium, and the state-owned Bharat Aluminium.

The Hindustan Aluminium (Hindalco) annual report for 1981 says: "The availability of power from the (Uttar Pradesh) State Electricity Board was, on average, about 33 per cent of their commitment . . . frequently even 100 per cent power cut was imposed. Such fluctuations . . . seriously affected the efficiency of the plant and also damaged the equipment. Whenever power availability drops the aluminium industry is the first casualty."

Where the Indian industry's problems begin to take on a more familiar tone is on the cost of power, controlled by the individual state governments and, therefore, much more difficult to oppose in a concerted way.

Indian Aluminium (Indal) and Hindalco are now paying some 300 per cent more for electricity than they did five years ago.

Bharat Aluminium (Balco) is paying twice as much, although its energy costs are easily the highest in the industry.

To try to solve the electricity supply problem, some producers, meanwhile, are trying to build their own captive generating systems.

Hindalco, which runs a 120,000 tonne a year smelter, plus Associated Rolling Mills and extrusion presses at Renukoot in Uttar Pradesh, is about to commission a fourth 67.5 MW thermal power unit and has applied to the central government for permission to build two more. This would free the Renukoot complex entirely from external power.

Hindalco is an exception, however. Indal, which has a far more widespread operation than the other companies has not been able to afford captive power for any of its three smelter.

Indal executives believe that a proposed merger with Mahindra and Mahindra, the Bombay-based vehicle manufacturer, will free them of their current cash constraints. Indal needs Mahindra resources to help build a 35 MW thermal power plant for its Orissa smelter.

Neither Indal nor Hindalco on their private sector base has the money to match Bharat Aluminium's plans to build a $350m 250 MW, power plant to supply electricity to its 100,000 tonne smelter, rolling mills and extrusion plant at Korba.

Both Indal and Hindalco complain bitterly that one of the reasons they are unable to spend on the same scale as the public sector producer is that the Government's system of pegging the price of aluminium means that they effectively subsidise Balco and Madras Aluminium. Hindalco has taken the government to court over the issue.

A year ago, the Government fixed the retention price of aluminium at Rs 15,411 per tonne and, after a study of producer's costs, judged Indal's to be Rs 14,535 per tonne and Hindalco's Rs 14,415.

On every tonne sold, the two companies pay the difference into a pool which then pays out to Balco (Rs 18,101) and Madras Aluminium (Rs 15,522).

In the absence of an open pricing system for raw aluminium, the producers compete by trying to offer better credit terms.

The two low-cost producers argue that there is a ruinous lag between revisions of the retention price and rises in the prices of raw materials, often controlled by the government as well, and electricity.

Despite these problems, the Government is sticking to projections of 450,000 tonnes of aluminium being produced in India by 1985. New Delhi is spending nearly $2bn establishing the National Aluminium Company, in Orissa, helped by Pechiney of France.

Peter Bruce